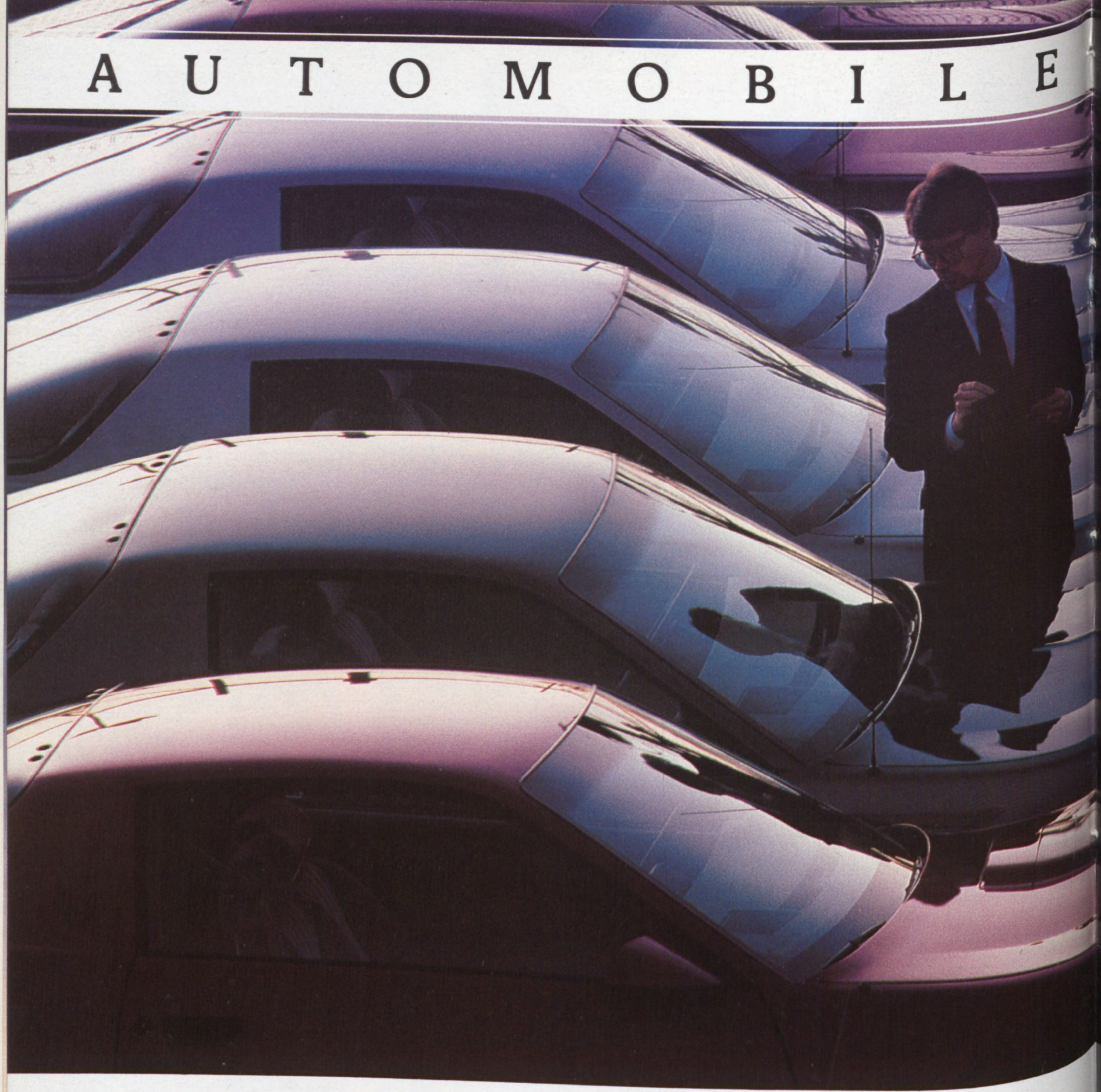
AUTOMOTIVE EXECUTIVE

Official Publication of the National Automobile Dealers Association

August 1984

The Case of the Unenforced Emissions Regulations

GRAY MARKET



Our policy is simplicity.

There are two kinds of insurance coverage for the business you're in.

One is the kind you have: most likely a patchwork of two, three or even more policies designed for businesses in general. You're paying for coverage you don't need. And you can't add coverage you want without attaching even more policies.

The other kind of coverage is ours. A specialized business insurance concept started in 1922. Our single policy offers all the coverage you need now with the built-in flexibility to add coverage without adding policies. You pay for the coverage you need now and no more until you need more.

(For more information circle #40)

Our policy works. Because our policy is designed specifically for the automobile dealership.

It's that simple.

The Specialists.

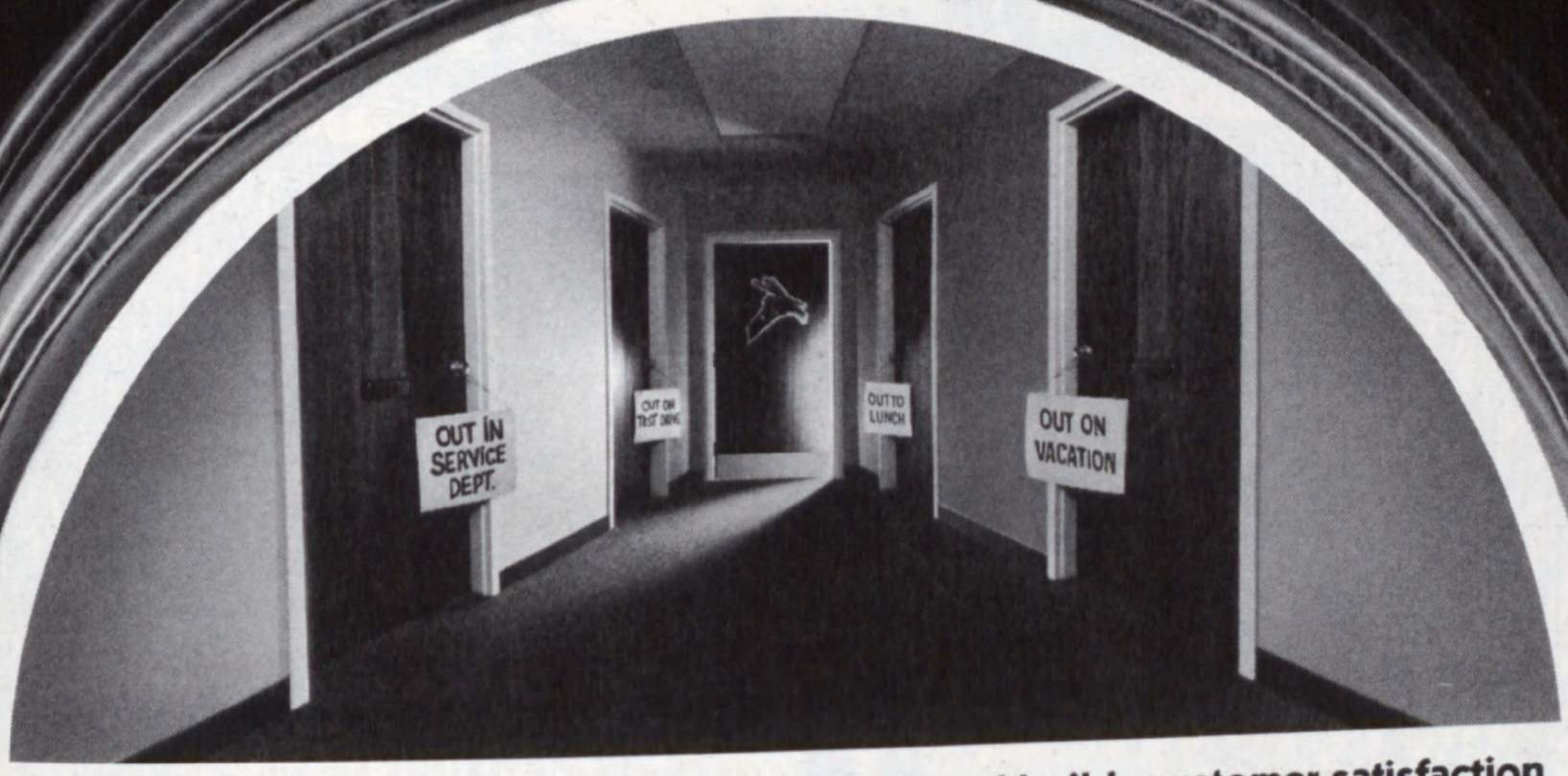
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5115 Oak Street, Kansas City, MO 64112

Phone toll-free 1-800-821-7803 Ask for Marsha Thompson

One of your best salesmen is always in, if you put it in your GM cars and light trucks.

And look what Tilt-Wheel accomplishes...



Tilt-Wheel helps sell GM cars and light trucks—lots of them. Day in. Day out. Tilt-Wheel is on the job—helping sell new GM vehicles—on the showroom floor—or out on demo drives. It's always on the job. Maybe that's why Tilt-Wheel Steering sales are up a whopping 46.2% since 1980.

Tilt-Wheel adds profit. It adds a profit margin while adding little to inventory cost—and nothing to overhead—on new or used models. Tilt-Wheel Steering can help them sell faster, too.

Tilt-Wheel builds customer satisfaction. Tilt-Wheel Steering is virtually trouble-free. It adds comfort, convenience and helps people feel good about their cars and light trucks. And those satisfied customers buy Tilt-Wheel-equipped General Motors models again—nine out of ten times.

Tilt-Wheel offers buyers a lot for the money. It's one of today's great bargains at just $110 MSRP, while returning up to $100 at resale, based on current leading used car guides.

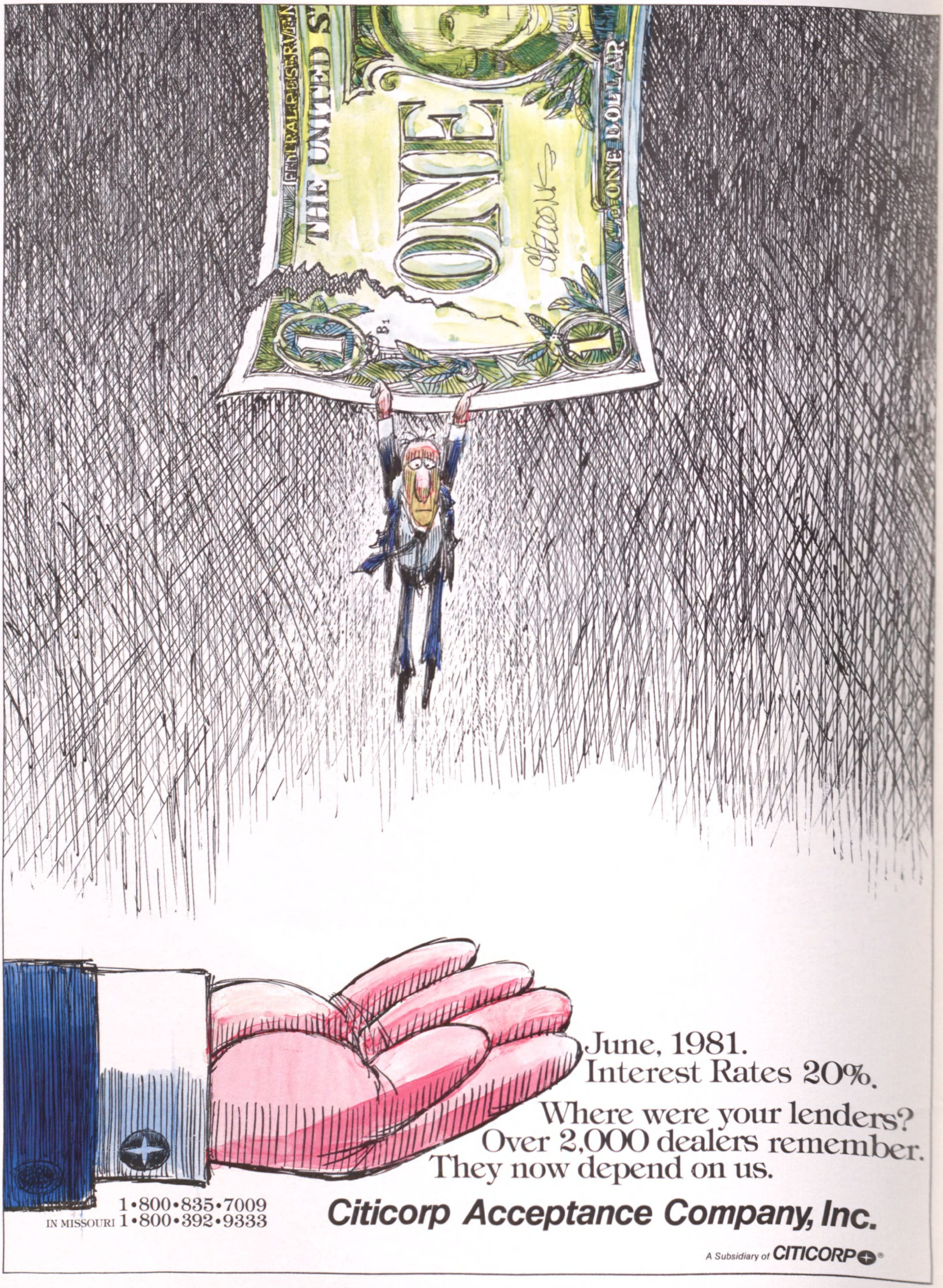
Put Tilt-Wheel to work selling your new GM cars and light trucks.

Saginaw GM

Tilt-Wheel
It does so much...
yet costs so little.



(For more information circle #59)



(For more information circle #12)

NADA Commentary

A Real NADA Victory

The Federal Trade Commission met last month and voted approval of a revised rule for the sale of used cars.

Because of the length of debate on this issue—almost 11 years—some dealers probably reacted to the Commission's vote with a sense of resignation.

But at NADA, our reaction is to shout, "Victory at last!"

Strange, you say, to claim victory in the face of new government regulations in our marketplace?

Well, the fact is that 11 years after we began our battle over proposed government regulation of used-car sales, the regulators themselves now agree the real sticking point in the debate—the known defects clause—was not a good idea.

It's not in the new FTC rule. And that's our victory.

Read for yourself the words of the FTC's Consumer Protection staff, in its report to the Commission, recommending the discarding of the known defects clause:

"There is little evidence in the record that suggests that dealers ordinarily have the type of system-by-system knowledge about a used car's condition that the provision envisions."

Remember, we said that in our testimony, almost six years ago.

And, further:

"The staff also has serious concerns about the provision's enforceability...It would be difficult, if not impossible, for the Commission to identify possible violations of the provision."

You'll forgive us if we note that this sounds quite similar to the point we raised with Congress in 1982 when it vetoed the known defects rule.

Finally, these words from the Commission staff report:

"...the staff's review suggests that the provision would also actually confuse buyers about the true condition of the car and detract attention from the important warranty disclosures that buyers receive under the Rule...And, most significantly...would undermine the warnings contained in the other disclosure provisions..."

If these last words sound familiar, just recall that they were the basic points we raised in testimony about the FTC proposal for the past 11 years. And we raised them before the Commission, Congress and the courts. Apparently, someone finally listened.

In the emotion of public debate on the rule, we were pilloried for opposing the original proposal. Our motives and integrity were questioned; our honesty challenged by consumer activists. But we have stayed the long and difficult course. We feel vindicated by the outcome.

True, we do have a new Used Car Rule from the FTC. But cooler heads have prevailed. It's a sensible rule. One that serves consumers without penalizing dealers unfairly.

Our opponents should forgive our sense of joy in winning this major regulatory victory. The facts were always on our side. It just took others longer to recognize them. □

We've put it all together so GM Dealers can do it all.

General Motors Acceptance Corporation practically invented automotive financing. When we set up shop over 63 years ago, car financing was almost unknown.

Since then, thousands of GM Dealers (and millions of new-car buyers) have come to depend upon GMAC for their financing needs. As a matter of fact, we've extended more automotive credit than any other financial institution in the world. That makes us your most experienced automotive credit source.

And we've continued to anticipate your needs by expanding our services in new and innovative ways.

Ways to make it easier for you to merchandise cars and trucks. Ways to make it easier for your customers to buy, lease or rent them.

Whatever your financing requirements—retail, wholesale, leasing, daily rental or a capital loan—GMAC is ready with plans and know-how to help make your dealership the transportation center in your community.

We're committed to helping GM Dealers do it all.

GMAC
THE FINANCING PEOPLE FROM GENERAL MOTORS











Complete Dealer Financing Services

(For more information circle #20)

AUTOMOTIVE EXECUTIVE

Official Publication of the National Automobile Dealers Association



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20-Group Ideas

Improving service department operation

Want to reduce advertising costs and training expenses? Improve your fixed absorption? Feel comfortable at the cashier's window from 4 to 6 p.m. or in the service reception area on any given morning? Higginbotham Chevrolet-Oldsmobile in New Smyrna Beach, FL, feels these things can be accomplished by improving your service department operation, and offers a few facts:

- The largest single complaint about the service operation of franchised dealers is "They didn't fix my problem on the first visit."
- On a national basis, 54 percent of service customers were required to make more than one trip to solve their problem.
- For every complaint received by the service department, there are 26 more dissatisfied customers who say nothing.
- Satisfied service customers are the lifeblood of the future. They are the best source of repeat business, represent the best gross profits, and are the best and least expensive form of advertising.

Higginbotham Chevrolet-Olds has taken a positive step by appointing a customer relations manager. (Individuals eligible for job training credits are good candidates.) The manager's responsibilities include:

- Checking all cars in the service department each day for recall campaigns. (Used cars are checked twice weekly.)
- Road or function testing vehicles to ensure that the owner's complaint was properly repaired.
- Calling the owner two days after a car is in for service to thank him or her for the business and to determine if the work was done properly. (If not, the owner is scheduled back in and given VIP treatment.)

Establishing the new position has helped the dealership to:

- Provide quality service.
- Find those dissatisfied customers who won't complain, and turn them into repeat customers and "walking advertisements" for the dealership.
- Meet obligations to customers and factory by improving recall campaign performance.
- Take the "sting" out of the repair bill by doing more than was needed—and not charging extra.
- Accurately spot what training is needed and who needs it.
- Improve RO write-ups. ■

Parts efficiency

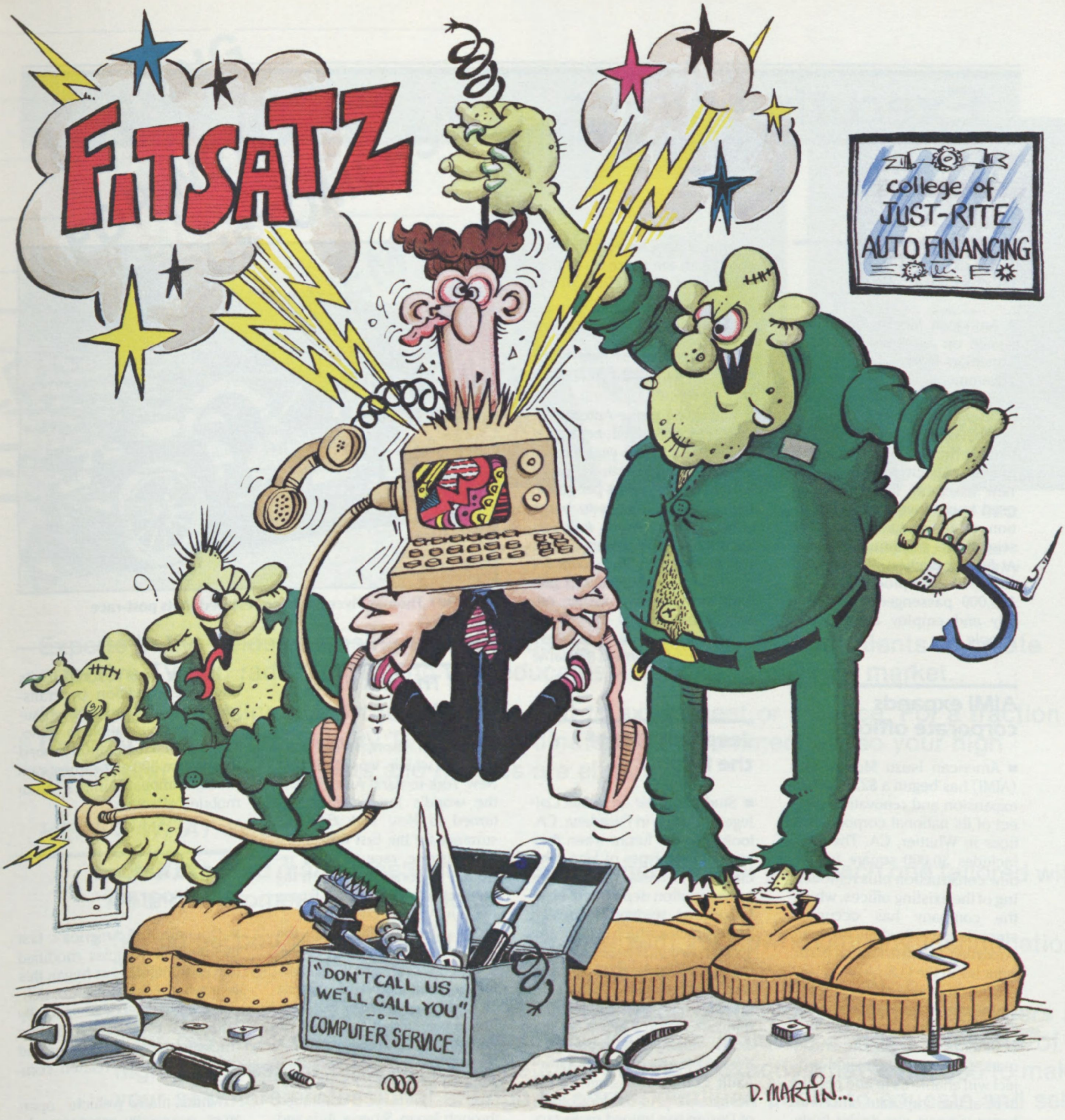
Joseph Jarusinsky of Riverside Motors Inc. in Westport, CT, implemented the following system in the service department. As soon as the ROs are written in the morning, the parts are collected and put into wire baskets. The baskets are labeled with the job number, and put aside in the parts department until called for by the mechanic. A copy of the RO is enclosed, already billed-out for the parts essential to the job. This system eliminates the common problem of mechanics wasting time in line at the parts department. The system also allows the parts counter to run more effectively during the rest of the day. ■

Using ideas

Whenever Steve Roach of Nault's Ford in Manchester, NH, attends a 20-Group meeting, he comes away with a wealth of new ideas. Since all the ideas cannot be instituted at once, he has devised a simple system that keeps the ideas at his fingertips.

After each day's meeting, he transfers his notes to 3x5 cards and files by department. When he returns to his dealership, he meets with each manager separately to review some of the ideas for that department. Once a week he and the department manager discuss new ideas and come to an agreement for implementation.

Each day Roach flips through his cards and picks a few ideas that need a push. By using this system, the ideas are implemented on a continuing basis instead of being filed and forgotten. □



HOW "USER FRIENDLY" IS THE SUPPORT FOR YOUR F&I SYSTEM?

Probably not very friendly. Or efficient. And certainly not as large as COIN'S. Our support staff outnumbers our sales staff 4 to 1. For a very good reason. To prevent your system from being down long. Since time is money. And a good F&I system generates plenty of profit for your dealership.

Just consider COIN'S advantages. Our graphics lead the industry in helping to close sales; our software is user friendly; and our programs can be updated through your phone. And not by mail.

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(For more information circle #13)

Executive Notes

AMC to expand in Canada

■ American Motors Corp. has signed an agreement with the Canadian federal and Ontario governments to establish a state-of-the-art assembly plant in Brampton, Ontario.

AMC operates an assembly plant in Brampton but needs additional capacity in Canada. The new assembly facility will be used to produce a new generation of intermediate-size passenger cars beginning in 1987. At full production, the plant is expected to produce about 150,000 passenger cars annually and employ about 3,000 people.

AIMI expands corporate offices

■ American Isuzu Motors Inc. (AIMI) has begun a $2.3-million expansion and renovation project of its national corporate offices in Whittier, CA. The plan includes 30,000 square feet of new construction plus remodeling of the existing offices, which the company has occupied since late 1980 when it began importing and distributing Isuzu vehicles in the U.S.

"The success of Isuzu cars and trucks in the U.S. in the last three years has increased our commitment to the American market, and the expansion project will enable us to add people here at the corporate offices to better support our dealer body and Isuzu owners," says John E. Reilly Sr., AIMI vice president and general manager.

Pickup trucks dominate in 16 states

■ According to the consulting firm of Runzheimer and Co. Inc., America is rapidly becoming a land of pickup trucks. In 16 states, the most popular vehicle on the road is a pickup. The "truck belt" runs from the upper Midwest south through Texas and the Gulf states. Ford dominates sales in the northeastern section while Chevrolet is most popular in the South. Tradition and status determine which pickup a buyer chooses.

EPA mileage ratings

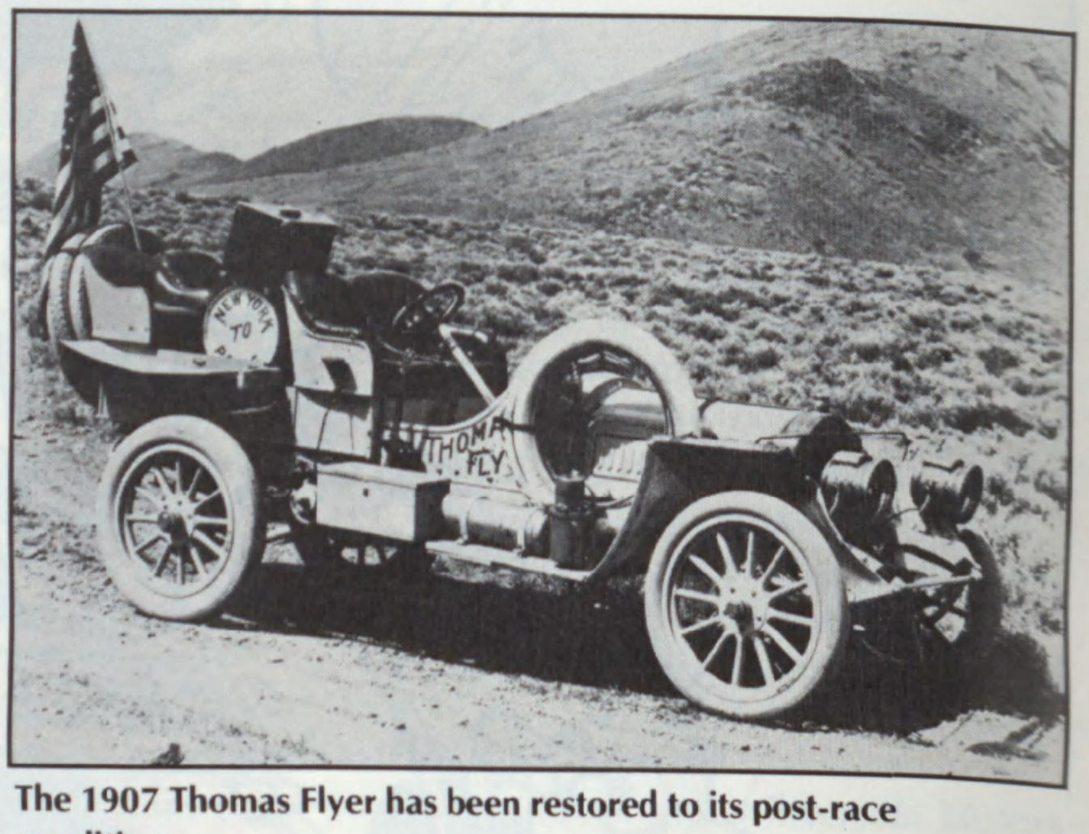
■ According to the Automotive Information Council, beginning in the 1985 model year the Environmental Protection Agency will lower its miles-per-gallon fuel economy ratings to better reflect actual in-use mileage. For 1985, the laboratory figures will be reduced 10 percent for city mileage ratings and 22 percent for highway mileage ratings. The ratings had been criticized because consumers were unable to obtain the same mileage.

Jeep vehicles of the future?

■ Students at the Art Center College of Design in Pasadena, CA, looked to the future when they created prototypes of Jeep vehicles for the 1990s. The faculty's transportation department challenged the students to design Jeep vehicles which provide the sporty, two-passenger look of the traditional Jeep vehicle, but also anticipated continued growth of the currently popular minivan. Pictured below are students, faculty and representatives of the American Motors/Renault Corps. with some of the designs. The Art Center College of Design has trained more professional automobile designers than any other institution in the world.



The Art Center's Jeep designs on display.



The 1907 Thomas Flyer has been restored to its post-race condition.

1907 Thomas Flyer returns

■ The 1907 Thomas Flyer automobile, which won the 1908 New York to Paris Auto Race—the world's longest race—returned to New York City this summer for the first time since that historic race. It was returned in conjunction with the opening of Harrah's at Trump Plaza in Atlantic City, NJ.

The Thomas Flyer was the lone American entry in the race. It is a four-cylinder, 70-horsepower stock model selected six days prior to the race.

The vehicle left New York on February 12, 1907, traveled across the U.S. and was then shipped across the Pacific. The Flyer's journey continued through Japan, Siberia, Asia and Europe, finally ending in Paris on July 30, 1908, 170 days out of Times Square.

The car was restored to its after-race condition by craftsmen at the William F. Harrah Automobile Foundation in Reno, NV, a public foundation formed to preserve 300 of the finest cars in the famous Harrah's Automobile Collection.

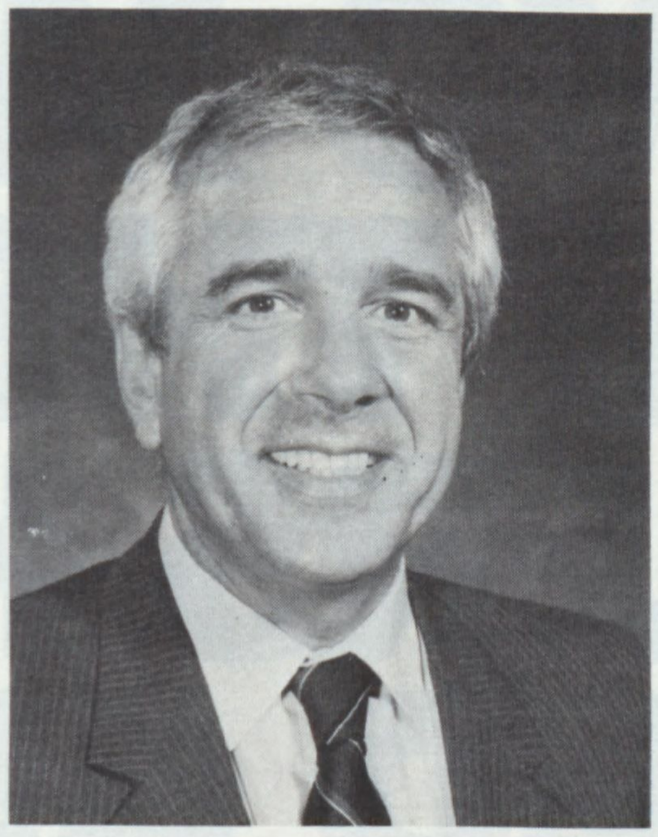
Ford's natural gas program

■ Operation of America's first factory-built vehicles modified to run on natural gas began this year when Ford Motor Co. delivered a test fleet of 27 specially equipped 1984 Ranger pickup trucks to major gas utilities and other natural gas-related companies.

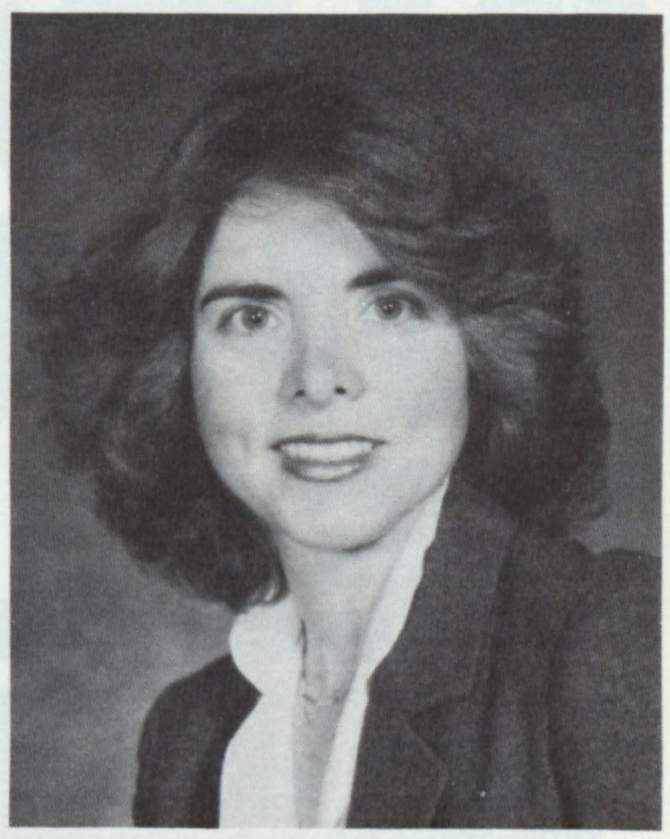
While many vehicle operators, especially companies in the natural gas industry, have modified their cars and trucks to operate on natural gas, this is the first time a domestic auto manufacturer has set out to design and build a fleet of such vehicles for a major test, says W. Dale Compton, Ford vice president-research.

"The Natural Gas Vehicle (NGV Ranger) program is a transitional phase in our various alternative fuel research and development plans," Compton says, adding that the program "is part of Ford's commitment to maintain its leadership role in the development of alternative-fuel vehicles."

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Leo Hamel-President Marshall Leasing, one of New England's largest leasing companies.



Jamie McCue-former CEO Boston affiliate of Friedman-Swift, national market research company

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(For more information circle #44)

FIND OUT IN TWO MINUTES WHAT THESE DEALERS HAVE TALKED ABOUT ALL YEAR.





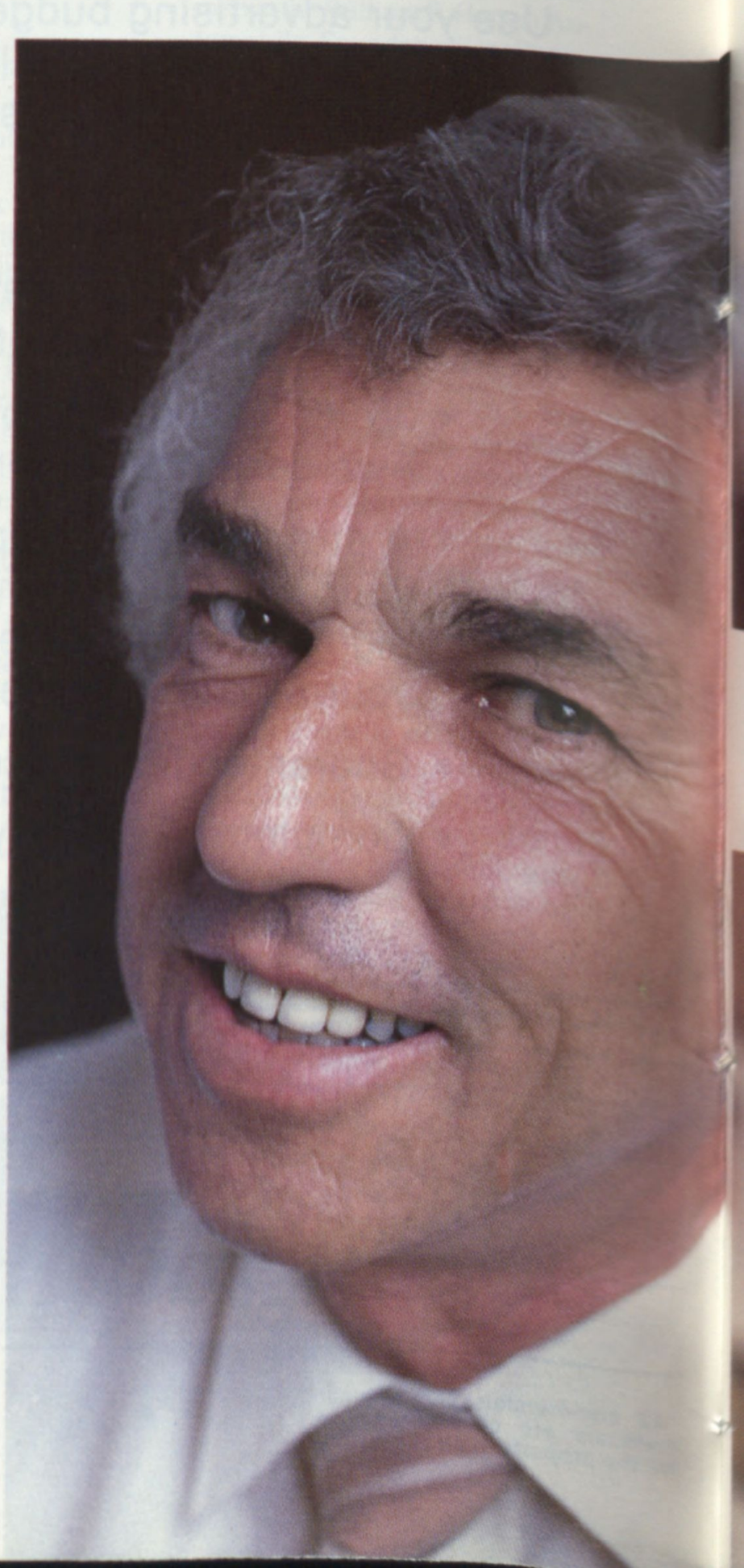
Buddy Bolton, Bolton Ford
Lake Charles, Louisiana 318-436-0511
— Initially, I had some concern over the potential costs of the program. After offering the Lifetime Service Guarantee for over a year, I've found that it really pays.

◄

Bill Shumake, Town & Country Motors
Sedalia, Missouri 816-826-5400
— The Lifetime Service Guarantee has sold new cars for us. People are asking about it when they buy.

►

Bryan Easler, Bryan Easler Ford
Hendersonville, North Carolina
704-693-4281
— I sold 25 extra labor hours the first four days we were on the Lifetime program by converting over-the-counter parts customers into service customers.



These dealers are among the many who offered the Lifetime Service Guarantee last year.

They saw results right from the start. An increase in labor sales. An increase in parts sales. And even an increase in new car sales.

They also took advantage of Ford Parts and Service Division's complete promotional package and co-op funds, to help them sell Lifetime.

Isn't it about time you got this unique program working for you?

For more information, contact your FPSD district office. Or give any of these Lifetime dealers a call.

LIFETIME SERVICE GUARANTEE

FORD PARTS AND SERVICE DIVISION Ford



Jack Ter Har, Jr., Sill-Ter Har Motors Broomfield, Colorado 303-469-1801 — I am delighted when I have to give a customer a repair for free. It's better advertising than TV or newspaper.



Dan Pfeiffer, Pfeiffer Lincoln-Mercury Grand Rapids, Michigan 616-949-7800 — Lifetime helps create a better image for dealers. It shows that we really care about the customer.

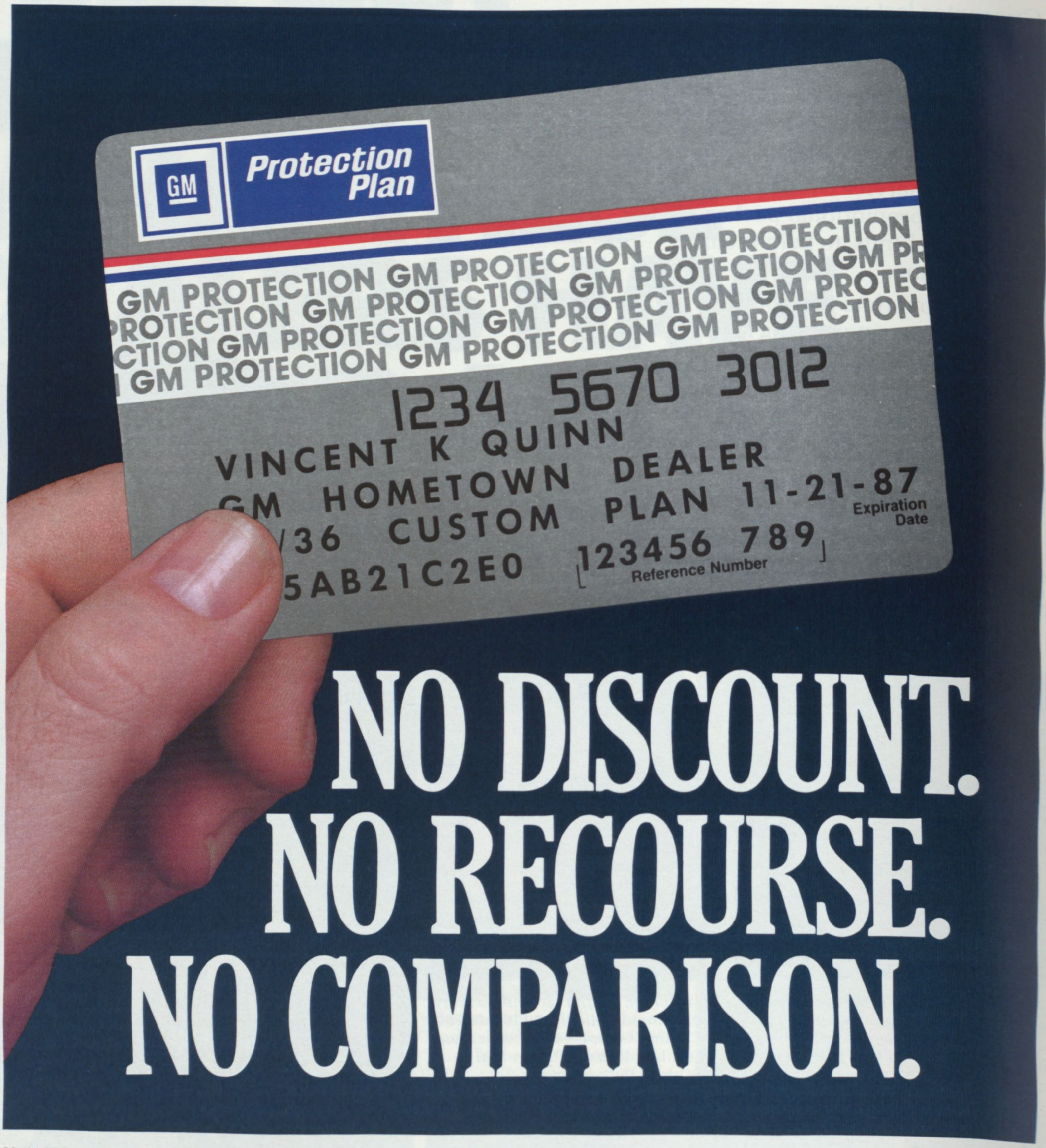


Dan Carlisle, Carlisle Lincoln-Mercury Clearwater, Florida 813-461-3535 — I believe Lifetime has helped contribute to a 42% increase over last year's new vehicle sales and a 13% increase in repair shop parts and labor sales.



Rob Lombard, Lombard Ford Winsted, Connecticut 203-379-3306 — Lifetime brings customers in who would otherwise go to outside repair shops.

(For more information circle #51)



No kidding. The new GM Protection card issued by NBD Delaware Bank makes the GM Protection Plan an outstanding profit builder for your dealership. Here's why:

When your customer uses the GM Protection card to charge service, parts, accessories or any other eligible purchase, there's no discount charged the dealer. Not one penny! The *only* expense is the one-time $10.00 start-up fee charged to the dealer who originally sells the Plan, when the card is first used.

After that, the cardholder can continue to use the revolving credit line with no further fees assessed to your dealership.

What's more, all valid charges against GM Protection cards are *nonrecourse* to the selling dealer. As long as charges are valid and undisputed, you won't be stuck with unpaid accounts.

The GM Protection card also provides you with another way to finance the sale of the GM Protection Plan for qualified customers.*

The dealer profit potential speaks for itself: No discount. No recourse. And, no sense comparing us to the competition... there is no comparison.

Don't waste a minute. It's easy to sell the GM Protection Plan and honor the GM Protection card. Phone your zone representative for complete details today. Tomorrow he might be busy showing some other dealer how to make money with the GM Protection Plan.

GM Protection Plan

*In California, if the vehicle is being financed, service contracts purchased at the time of vehicle sale can only be financed on a vehicle installment sales contract.

(For more information circle #52)

Auto Association News

Child passenger safety day

Automotive Trade Association National Capital Area (ATANCA) dealers participated in a variety of activities on June 18 in recognition of National Child Passenger Safety Awareness Day, an event proclaimed by Congress. In two different press conferences involving national as well as local officials, ATANCA dealers figured prominently as promoters of child safety seats in cars.

At a press conference at JKJ Chevrolet in Tysons Corner, VA, John Koons Jr. said, "When child safety seats in cars can reduce 70 to 90 percent of auto accident-related injuries and deaths of children under five, that's a program auto dealers have a responsibility to support and I'm proud to say we do."

ATANCA's vice chairman, Mort Zetlin of American Service Center, Arlington, VA, discussed ATANCA's "Belt Your Kids" campaign, by which dealers have promoted child safety seat use through showroom displays and informational brochures.

On the same day, Robert Fogarty, Sport Chevrolet, Silver Spring, MD, hosted a meeting for representatives from the Maryland Kids in Safety Seats (KISS) program. KISS representatives made their appreciation known for the substantial donation of safety seats dealers made to the various loaner programs in the Washington metropolitan area last year.

The president of ATANCA is Steve Horvath.



Dealer John Koons Jr. held a press conference in his showroom to promote child safety seat use.

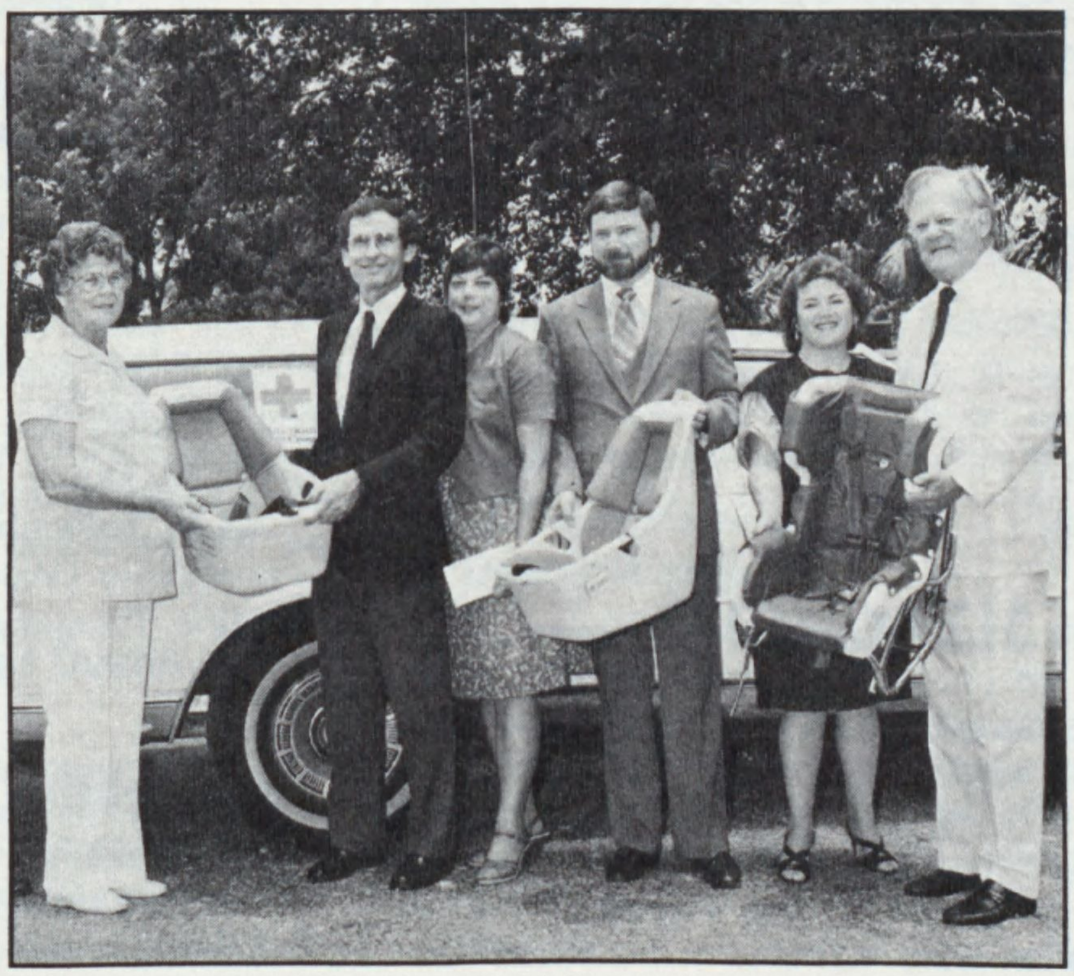
Safety seat loaner program

In recognition of National Child Passenger Safety Awareness Week, the South Florida Automobile Dealers Association (SFADA) donated 75 infant and toddler safety seats to the South Florida chapters of the American Red Cross.

Recently presented to American Red Cross representatives, the federally approved child safety seats will enhance the Dade County Chapter's existing loaner program and help launch much-needed loaner programs in Broward and Monroe counties.

In addition, SFADA earmarked a $450 contribution to the American Red Cross-Palm Beach Chapter for emphasis on automobile safety education and related materials within its "Preparation for Parenthood" course curriculum.

The president of SFADA is William Lehman Jr.



SFADA President William Lehman Jr. (second from left) and SFADA Executive Vice President Bernard Neary (far right) present safety seats to American Red Cross representatives.

American Cancer Society donation

Members of the Greater St. Louis Automotive Association (GSLAA) are engaged in a novel program with the American Cancer Society designed to aid in the fight against cancer while at the same time ridding the area of junk automobiles.

Through the program, the association's member dealers will accept old cars and provide the donor with an appraisal and a receipt that will enable the donor to take the appropriate charitable contribution deduction at tax time.

The cars will be picked up and sold by a local auto auction, and the proceeds will be forwarded to the American Cancer Society.

In addition to aiding in the fight against cancer, this program's tax-saving benefit provides the incentive needed to get people to bring in their cars and clean up the city's streets.

The president of GSLAA is Donald Darr.

Auto Association News reports on events at the state and local level. Please send any items of interest to: **Joan Rubin, assistant editor, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102-3593.**

Calendar

August

1 to 2. AUTOCAP Mediation Workshop, Dallas Westin Hotel, Dallas, TX

5 to 8. Michigan Automobile Dealers Association Convention, Grand Hotel, Mackinac Island, MI

16 to 19. Florida Automotive Service Councils Convention and Trade Show, Orlando Hyatt Hotel, Orlando, FL

19 to 21. Colorado Automobile Dealers Association Convention, Broadmoor Hotel, Colorado Springs, CO.

26 to 30. Automotive News World Congress, Renaissance Center; World Expo, Cobo Hall, Detroit, MI ■

September

13 to 17. National Tire Dealers and Retreaders Association Convention and Trade Show, Anaheim Convention Center, Anaheim, CA

26 to 27. AUTOCAP Mediation Workshop, Los Angeles Airport Hilton, Los Angeles, CA

30 to October 4. American Trucking Associations Convention, Hilton Hotel, Las Vegas, NV ■

October

14 to 17. National Conference for Automotive Technology, Daytona Beach Community College, Daytona Beach, FL

14 to 19. New Jersey Automobile Dealers Association Convention, Britannia Beach Hotel, Nassau, Bahamas

16 to 19. APAA/SEMA/IA Show, Las Vegas Convention Center, Las Vegas, NV

17 to 25. Oklahoma Automobile Dealers Association Convention, Sheraton Stockholm Hotel, Stockholm, Sweden

24 to 28. Pennsylvania Automotive Association Business Conference, Hamilton Princess Hotel, Bermuda

27 to November 4. South Florida Auto Show, Miami Beach Convention Center, Miami Beach, FL

28 to 31. Northern California Motor Car Dealers Association Convention, Hyatt Del Monte, Monterey, CA

28 to November 1. New York State Automobile Dealers Association Convention, Hamilton Princess Hotel, Bermuda ■

November

8. Connecticut Automotive Trades Association Convention, Parkview Hilton, Hartford, CT □

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We are proud of the quality with which our vans are built, and we stand behind them completely. We process warranty claims quickly, and expedite the shipment of replacement parts to your service department. We can also assist in training your service manager and his personnel in time-saving repair procedures. The average Tra-Tech warranty claim in the last model year was less than $30 per vehicle.

4. Sales Training for Dealer Personnel

Our job is just beginning when *you* buy a Tra-Tech. We feel a tremendous responsibility to assist you in every way possible until that unit is purchased by your customer. Our continuing dealer sales training is the most thorough and effective in the industry. We utilize the most modern training aids, including videotapes of our effective 10-point sales demo. We provide dealer sales manuals and are always happy to work with your salesman one on one.

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We understand you can't sell a Tra-Tech without customers on your lot, and that requires effective advertising. Once again, we assist you in every way we can. First, we ourselves place lead-producing, national consumer ads. Second, we provide you with professionally prepared ad slicks and posters. Third, we assist with accurate demographics for mailings to a selected buyer market. Fourth, Tra-Tech receives both regional and national TV exposure every week. What's more, we make available professionally produced TV spots that are easily adaptable to your needs.

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We welcome and invite both your questions and your scrutiny. We want to earn your business and your long-term confidence. Please call, or better yet, send us your business card so that one of our professional planners can begin developing a personalized marketing program tailored to your dealership. For continuing growth and improved bottom line profit, ***Tra-Tech is the right choice!***

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"F & I Training? You bet MIC's the best in the country!"

Tom Landry,
Head Coach, Dallas Cowboys.

Mike Doran knows the auto business inside and out. He's been selling cars for 37 years. Recently Mike and his F & I director, Ed Brand, talked with Tom Landry about the importance of the F & I function and the critical nature of training to its success.

LANDRY: What are the most significant ingredients of a profitable F & I department?

DORAN: Training and experience. Ed Brand, our F & I Director, has 32 years finance and insurance experience. Along with Ed's guidance we have to give a lot of credit to MIC's F & I Manpower Training School.

LANDRY: Ed, you obviously are a fan of MIC's F & I training.

BRAND: It's very thorough and gives an F & I person a lot of confidence. The course covers sales and administrative techniques, including management control systems and how to monitor and improve F & I volume and profits.

LANDRY: These subjects could be learned from books and manuals read at home. What makes MIC's training different?

BRAND: In the MIC program, emphasis is on the case study method. All the instructors have extensive "hands-on" retail F & I experience, so they fully understand the selling situation at the dealership level.

LANDRY: This sounds very similar to some of our training techniques in football! Do they have videotaped role-playing with replays?

BRAND: Yes! Participants interact as F & I managers and customers. Then, through the use of videotape cameras, the attendees study and analyze their performance and participate in open critiques.

Ed Brand,
F & I Director, Doran Chevrolet.

LANDRY: Mike, I have found that MIC's dedication to excellence is evident in everything they do. What about follow-up, after the formal training is completed?

DORAN: MIC provides on-going F & I consultation and coaching right at the dealership. That's unique with MIC.

LANDRY: Finance and insurance is mainly a merchandising support activity, isn't it?

DORAN: Yes, Tom, it is; but remember that these functions support GM new vehicle sales as well as our used car operation. During the recent slow period, finance and insurance sales brought us significant added income. It's part of a new, Total Transportation philosophy many dealers emphasize today. And it works.

Mike Doran,
Doran Chevrolet, Dallas, Texas.

LANDRY: Would you recommend the program to other dealers?

DORAN: Definitely. MIC's F & I training is the best offered by anyone, anywhere.

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Dealer Inquiries Invited

Other Voices

Accurate reporting

I want to take the opportunity to thank you for the fine article about my television spots (May 1984).

It is refreshing in today's climate to read an article about one's self that is an accurate reporting of the interview.

In most cases, the facts get changed, twisted or misstated, but you were "right on" with your article.

By the way, since the article appeared, we have been successfully marketing the syndication rights for the commercials.

Once again, many thanks for a wonderful article.

STEVEN C. SMITH
Steve Smith Pontiac
Fairfax, VA

Clearing the air

You are undoubtedly aware of the many articles and editorials in recent months that have addressed the issue of the price and/or volume impacts of the voluntary export restraints on imported Japanese automobiles.

General Motors has no desire to take issue with the editorial opinions expressed in this public debate. We are concerned, however, that many of these published sources have either initiated or perpetuated—by quoting or misinterpreting other sources—erroneous analyses of auto prices during the restraint period. These errors and misinterpretations can be damaging to the auto industry, by affecting adversely the way in which consumers perceive the value of our products and the way in which our employees and the general public perceive the behavior of the domestic automobile industry under the Japanese export restraint program. Recently, the *New York Times* corrected its error in this respect, thus taking at least a step toward recognizing the industry's quite disciplined pricing during the restraint period.

The *Times* editorials concur with a General Motors statement of facts regarding pricing, in which we point out the necessity of separating price changes into those occasioned by customer-chosen mix and option loading, by "quality" improvements that include government-mandated equipment, and by manufacturer-initiated price increases. We also note the importance of using appropriate time periods for comparison when analyzing such issues as the impact of restraints.

We have a common professional concern about the integrity and appropriateness of data series used in studies and analyses of the automobile industry, both internal and external. We feel the recent misuse and misinterpretation of certain data series in public discussion warrants renewed attention to the nature of the price data being used and the impact of interpretations drawn from them on broader analytical results and conclusions.

MARINA V.N. WHITMAN
General Motors Corp.
New York, NY

Do you like what you're seeing in Automotive Executive*? Do you have any comments—good or bad—about what you're reading or on the automotive industry in general? We would like to hear from you. Please address correspondence to:* **Other Voices, *Automotive Executive,* 8400 Westpark Drive, McLean, VA 22102-3593.**

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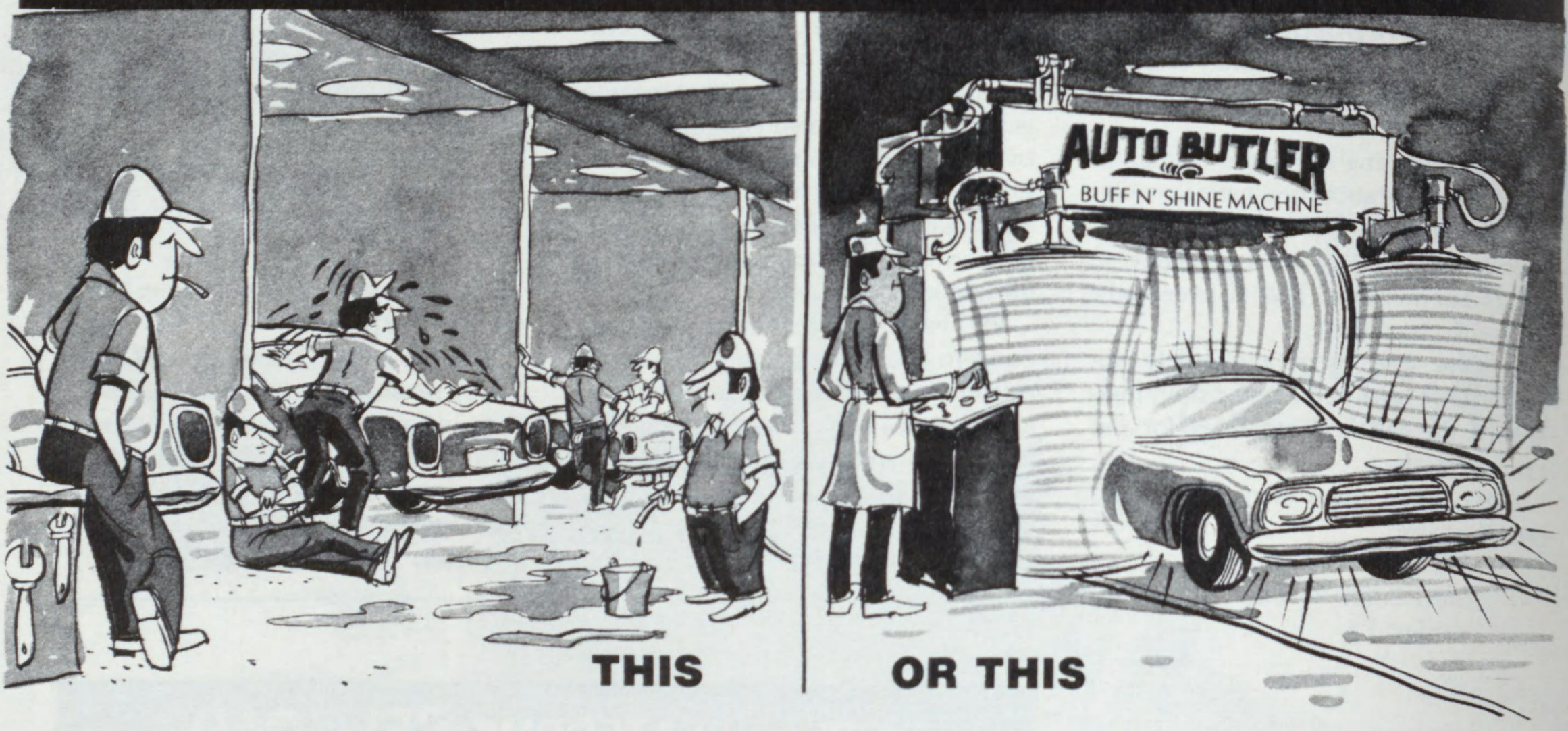
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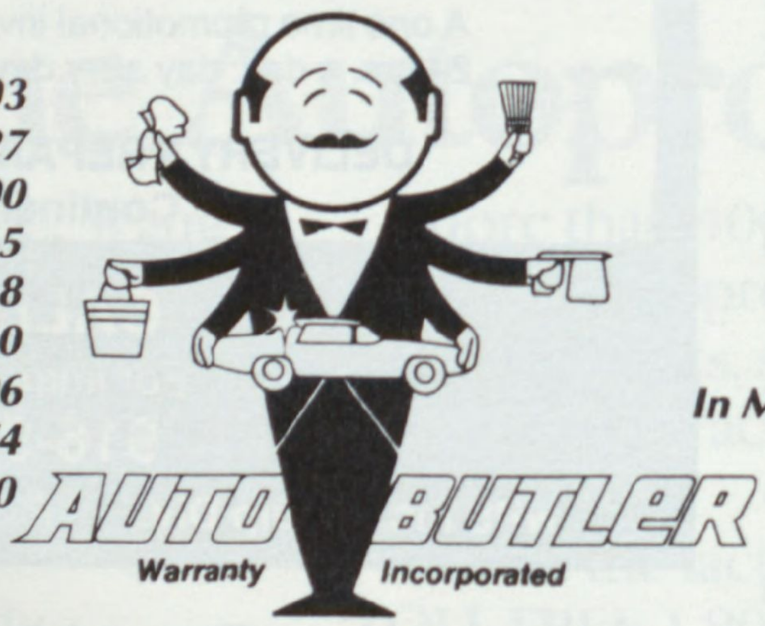
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GRAY MARKET

Franchised import dealers are seeing a sales boom for cars carrying their trademark but, in many cases, someone else is selling them.

by David S. Meyer

Foreign cars, not designed to meet U.S. emission and safety standards, are being imported, modified, certified and resold in growing numbers in this country through what has come to be known as the "Gray Market." Dealer and importer attitudes toward this burgeoning phenomenon, however, are expressed only in stark black-and-white terms. Each party involved has a definite opinion on the practice.

Franchised import car dealers and their manufacturers believe that the Environmental Protection Agency's (EPA) improper interpretation of the Clean Air Act is tarnishing their reputations and eroding their customer base.

EPA interprets the definition of "manufacturer" in the Act to justify the creation of an alternative distribution system to "bring cars into compliance" with U.S. standards.

The Automobile Importers Compliance Association contends that a significant number of what it refers to as "commercial importers" provide a service by offering high-powered foreign cars not otherwise available.

Manufacturers argue that their cars, not made to meet U.S. specifications, cannot be properly modified to do so.

In 1982, both the Senate Committee on Environment and Public Works and the House Energy and Commerce Committee reported out bills amending the Clean Air Act to halt the importation of nonconforming vehicles by all but private individuals bringing in cars five model years or older. In 1983, the Senate Committee on Commerce adopted a similar amendment to the National Traffic and Motor Vehicle Safety Act of 1966.

The controversy started in 1966, when the National Traffic and Motor Vehicle Safety Act was signed into law. That Act gave the Secretary of Transportation the authority to make automobile manufacturers conform to federal safety standards. Language from that Act was used in 1970 amendments to the Clean Air Act prohibiting importation of cars without the appropriate emissions clearance by the EPA administrator.

Both acts directed federal agencies to issue rules that manufacturers must follow when producing cars for sale in the U.S. Congress provided exemptions to these restrictions allowing returning military and foreign service personnel to bring their private vehicles home if modified to meet federal standards.

Importation Regulations

Regulations on the books today place a triple standard on the importation of foreign-made vehicles. Foreign manufacturers must certify that their vehicles for U.S. distribution will meet emission standards for five years or 50,000 miles. EPA tests a prototype of each model, checks vehicles on assembly lines and has a mechanism for recalling vehicles to ensure that their emissions control systems are durable. To fully comply with federal regulations, foreign manufacturers produce U.S. versions of their cars and design them to use unleaded fuel. Manufacturers are also required to pay a "gas guzzler" tax on car models that get relatively low mileage per gallon and to comply with fuel economy labeling and Corporate Average Fuel Economy (CAFE) requirements.

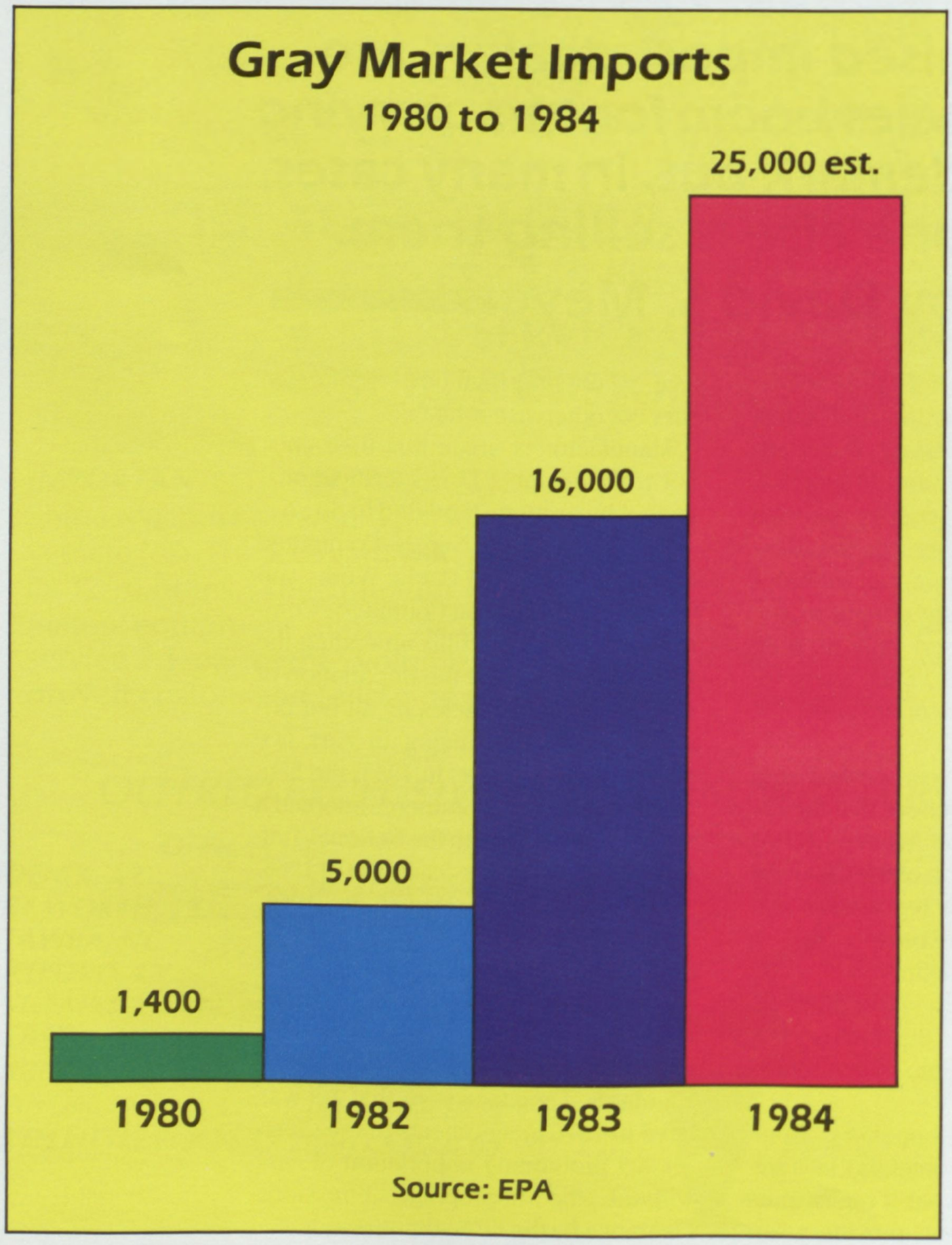
At the other end of the spectrum, private individuals are currently allowed to bring in one imported vehicle during their lifetime for personal use, and not for resale. If the car is five years or older, it does not need to be modified to meet U.S. emissions standards.

In the middle is a gray area. EPA determined that nonconforming cars could be brought in for resale by "small volume manufacturers" if they were modified to comply with federal standards. Because of a lack of enforcement resources, EPA allows private laboratories to certify these cars as "federalized" through procedures akin to those used on manufacturer assembly lines. The "Federal Test Procedure" that these private labs follow is a simulation of a 7.5-mile commuter trip. Modified car emissions are tested on a dynamometer and in an evaporation measuring shed. Without durability requirements or recall mechanisms, these vehicles are certified by the private labs which send documentation to EPA. Based on that document, EPA contacts U.S. Customs to release bond obligations set on entry.

Under the law, cars not sufficiently modified must be sent out of the country, destroyed or have their bonds forfeited. Bonds are generally set for half the value of the car. EPA has mitigated the penalty in many cases at 25 percent of the car's value. EPA believes proper modification of cars can be accomplished for less than the penalties exacted for insufficient compliance.

According to EPA, only 1,400 noncomplying cars were brought into the U.S. in 1980. EPA expects 25,000 such cars in 1984. Of the 16,000 imported last year, nearly one-third were in the class of five-year and older models not needing modification, another third were modified and tested to be in compliance with EPA standards, one-quar-

Gray Market Imports
1980 to 1984



Source: EPA

ter failed to meet criteria and the rest required further modification. Nearly half of all cars brought to the U.S. were manufacturered by Mercedes-Benz.

Mercedes Dealers' Dilemma

"A penalty is being placed on people who comply with the law and a dealer organization that's spent millions to build a service network. Our image is being clouded by customers unhappy with what they think is a Mercedes-Benz product," says Mercedes dealer Rudy Kraft of Pompano Beach, FL.

Kraft believes the consumer is hurt most. Kraft has regular customers who have purchased gray market cars and have come to him for servicing. These customers don't understand that the cars are made to specifications that his mechanics are not trained to work on. They are disappointed that there are difficulties in servicing cars under a Daimler-Benz warranty, problems that don't exist when cars are bought under the four-year Mercedes-Benz of North America warranty. They are hurt further by their cars' drastically reduced resale value.

Kraft calls many of the modified cars that have been brought to his dealership for servicing "total abortions." Among the problems he has seen with these cars are side restraints that have been installed with sheet metal screws, compression ratios that aren't suited to unleaded gasoline, heads that need to be replaced after 8,000 miles, improperly installed air conditioning systems, malfunctioning injection systems, and improperly adjusted ABS brake systems.

Kraft says the gray market "in the long run will take away sales, but right now we're selling everything we can get." A big reason for booming gray market sales, says Kraft, is the disparity between the dollar and the Deutschmark. "The currency exchange makes it possible," says Kraft, but "even with the price difference we could beat them with a four-year warranty and value package."

The problem with the gray market, says Kraft, is that it "furthers the denigration of the franchise system from the standpoint that it represents a dual line of distribution. I've got 75 people backing up my six salesmen," says Kraft, indicating his investment in representing his product. Gray marketeers only prepare cars to meet certification requirements, but Kraft is afraid to even change tires on modified cars for fear of product liability lawsuits.

"The rapid growth in importation of nonconforming vehicles threatens the continued viability of the automotive retail system. Nonconforming vehicles represent potential lost new- or used-car sales by franchised dealers."

"I used to work on gray market cars but I no longer will," says Chuck Theisen of the Phoenix Motor Co. in Arizona. When customers have brought in European versions of Mercedes-Benz cars modified by gray market importers, "there was nothing we could do. We aren't trained to know these models. We don't know what we're doing on these cars.

"From the dealer standpoint, the biggest problem is what they do to the reputation of the car. Attaching a catalytic converter changes a car's performance standard," Theisen says, "but the customer still sees it as a Mercedes-Benz."

According to Theisen, the public doesn't understand what it's getting when buying through the gray market. "People are romanced by Mercedes-Benz, so they go buy one to bring over because they can undercut U.S. prices." What they don't understand, he says, is the value put into U.S. versions to justify the price difference.

Brian Harris of Stevens Imports in New Orleans also talks about how consumer naiveté damages the reputation of the line. "I think most people buy these cars totally unaware of the differences from made-for-U.S. versions. They're not comparing apples and apples. The European versions are made for high-test leaded fuel (which chews up catalytic converters). If you try to cheat on the timing so the car can handle unleaded, you're asking the engine to do something it's not built to do. Inexpensive parts disable the car because they aren't readily available. Consumers are the people getting hurt, but the gray market tarnishes our reputation."

Harris explains that manufacturers tried to modify cars in the early 1970s, but that just didn't work. "If Mercedes-Benz can't do it," he asks, "how can anyone else?"

Most gray marketeers don't offer warranties or provide service contracts, says Harris, who refuses to touch the cars. Harris believes that customers will have more respect for the dealer "if you tell them up front you can't do the job." Disclaimers or waivers of dealer responsibility signed by customers aren't worth the paper they're written on when it comes to preventing dealers from facing product liability lawsuits, says Harris.

"Unfortunately," Harris says, "it's too late to close down the gray market. The barn door's been left open and the horses are down the street." He says the manufacturer must now shoulder the responsibility to educate the public about the differences in the products.

When it comes to trade-ins, dealer Harris says, "Personally, I wouldn't trade one. I'd be lending credibility to something invented by the quick-buck artist. We're not going to be a part of the ownership." Harris says he would help a customer dispose of a modified car through the broker system, but the resale value of those cars is "much less."

Harris objects to EPA's interpretation of the law that "licenses" modified vehicles for sale and exempts them from meeting the same strict standards franchised dealers and manufacturers must meet to support cars after they are sold. Harris also says service technicians are trained by Mercedes-Benz in factory schools before they go to work at dealerships. He questions how well nonconforming cars can be modified in the gray market by less qualified mechanics, when franchised dealerships don't even have the technical specifications to provide proper service or repair.

Manufacturers' Dismay

"It's not only training and parts," says an official of Mercedes-Benz of North America (MBNA). "Unless a car is engineered for this market it cannot properly be modified for this market."

MBNA is particularly concerned with the gray market problem because cars sold through this outside distribution channel equaled 10 percent of MBNA sales in 1983.

A.B. Shuman, manager of public relations for MBNA, says the manufacturer sells a completely different car than those sold through the gray market. The compression ratio for Mercedes made for the European market is 9.4:1. Mercedes makes cars compatible with unleaded fuel and catalytic converters for the U.S. with an 8.4:1 ratio. According to Shuman, for one model being sold on the gray market "we haven't come up with an emission system that can fit yet, so how can the gray marketeers?"

"Does a company have the right to determine what it sells in a market?" Shuman asks. He also questions "why they as manufacturers should have different standards than we as manufacturers." If they had to meet all the requirements Mercedes does in training, safety and emissions equipment, says Shuman, they would not be able to operate.

A major reason for the recent boom in gray market sales, according to Shuman, is the currency exchange rate between the dollar and the Deutschmark. MBNA's idea is to keep the price steady, which helps the customer by stabilizing the resale value.

"Gray marketeers buy on the spot," says MBNA Vice President Karl-Heinz Faber. "They don't have to consider long-range market structures. They have the advantage of trading whenever the market is best for them."

As Shuman points out, "The car business can't fluctuate prices daily." Shuman believes a stable currency exchange ratio would wipe out the gray market.

Gray market sales are more than just a Mercedes problem. BMW agrees with Mercedes that the gray market is created out of a loophole in the law that got out of hand. Many BMW dealers, like Ron Esserman of BMW South of Florida, believe the gray market is "like a loophole in the tax law—it shouldn't be there." According to one BMW official, the major problems with emission systems certified as properly modified are durability and drivability.

Other makes that are affected include Ferrari, Porsche and Jaguar. Essentially, the more exotic and expensive the car, the more likely it will be brought in through the gray market. There is a real

Mercedes Dealer Survey

When Mercedes-Benz of North America (MBNA) met with Environmental Protection Agency (EPA) officials at a workshop on gray market cars last November, EPA asked for specific data on modified vehicles. Mercedes obliged by sending its dealers a survey questionnaire on gray market vehicles they have serviced and/or repaired. MBNA sent EPA data it collected on 144 cars that came into Mercedes dealerships in a six-week period.

A summary of that data follows:

(A) 27 had no modifications at all and were imported into the U.S. in clear violation of existing EPA/Customs regulations.

(B) 94 additional vehicles *were not modified* in a way that compliance was feasible. For instance, 14 had no catalyst, 24 had no filler inlet restrictor, 19 had no evaporative emission control system and 18 had no air pump. The remaining vehicles had problems running from no heat shields on the catalysts to no certification labels to permit later servicing. More importantly, a large percentage showed signs of tampering, indicating that customer dissatisfaction had caused unauthorized modifications.

(C) Regarding the 23 vehicles which appeared to be equipped with the components critical for compliance purposes, we would caution that this alone does not assure that the vehicles were in compliance. Every fourth vehicle in this group was experiencing engine operation problems and several had the modifications done so poorly that the dealers commented on potential safety and durability problems. (Of the 117 vehicles on which modification work was performed, 30 percent had operational problems which appear related to the modifications.)

threat that non-European and more conventional cars will also start being distributed through this market. The Volkswagen Beetle (now being produced exclusively in Mexico) already has made its way through this growing distribution channel.

A Volkswagen of America official states, "We have significant investments to carry out our obligations, as have our dealers. The gray market operators have none of these responsibilities. Their motivation is quick profit unencumbered by five-year/50,000-mile emissions warranties, recall requirements, stocking of parts and providing for nationwide service."

EPA Interpretation

EPA's interpretation of the Clean Air Act is the crux of the whole issue.

In 1973, Norman Shutler, then director of EPA's Mobile Source Enforcement Division, considered closing the loophole. "We believe we will be able to' eliminate the gray market importations of motor vehicles. Serious consideration is also being given to the elimination of the option for individuals who are not manufacturers to import nonconforming vehicles pending modification, beginning in the 1975 model year."

Current EPA director of manufacturer operations, Chuck Freed, says EPA is only enforcing the broad language of the Act letting anyone bring in cars. According to Freed, the definition of "manufacturers" in the act permits commercial importing. He points to a clause in that definition including anyone "importing such vehicles or engines for resale."

Inequity in current rules and the administrative burden of enforcing air quality standards has created "the problem we have now," says Freed. He admits that gray market "manufacturers" are "getting off the hook" from complying with rigorous air quality standards, warranty requirements and the gas guzzler taxes imposed on all carmakers. EPA is now in the process of issuing a final rule which, according to Freed, will address the equity issue by "making importers for resale meet the same requirements as manufacturers." Freed says EPA may ask for comments through the Federal Register soon on several options to make standards more fair. "We want to take into consideration any business group when we make rules," he says, to "minimize adverse impact."

Freed admits further that current standards have created a "pay to pollute" situation in which affluent individuals can purchase the car of their choice. The real inequity is that manufacturers are prohibited from providing these cars in the U.S. Dealers also believe EPA's reliance on documentation from 20 independent laboratories to certify modification is inadequate to ensure compliance. To date, EPA has tested only a few cars modified by resale importers at low mileage and has found some do not meet standards.

The Honest Modifier

Benjamin Jackson, executive director of the Automobile Importers Compliance Association (AICA), objects to the sinister connotations of calling "commercial importers" gray marketeers. AICA represents 120 retailers, mostly from New England states, California and Texas, who are seeking to establish standards of performance to separate those who do good work from those who do not.

Quality modifications do not detract from the operation of the vehicle, says Jackson. "What concerns me are modifications that are not made properly. There is activity that is illegal, and I consider things done wrong illegal as well.

"I share the concern that training isn't sufficient. There is a need for greater scrutiny and a greater degree of excellence. EPA should send out people to enforce their laws instead of sitting in Washington and counting VIN numbers on photographs."

Jackson believes the EPA is moving toward establishment of one set of requirements for all car importers. "I don't object if it's done in a manner recognizing the ability of individuals to meet the standards of the bureaucracy," says Jackson.

He feels it is unfair to expect smaller businesses to meet the same environmental requirements as larger businesses. At the same time, he agrees with NADA that allowing cars for personal use without meeting standards is the "height of hypocrisy."

"If I were a franchised dealer," says Jackson, "I wouldn't like commercial importing, but it's created by market conditions." He says he also understands "the Mercedes-Benz trademark pride. Over the years, they have developed a tremendous mystique."

When it comes to service, says Jackson, "There is twice as much service available in the aftermarket as in the dealer organization." Some commercial importers, he says, have begun to offer their own warranties. His association plans to enable each member to make warranties available by the end of the summer.

Used Car Guide

NADA's *Used Car Guide*, used widely when it comes to determining the value of cars that have been on the road, now carries the following warning about gray market vehicles:

"An unknown number of 'gray market' imported cars enter the marketplace each year. 'Gray market' is a term often used to describe imported cars which enter the U.S. via channels other than factory-authorized imports. It is possible many 'gray market' cars do not fully meet federal standards. This condition might result in substantial lessening of the car's market value."

Jackson says the parts supply industry is making European-version replacement parts more available. He listed the safety and emissions equipment being modified or installed to bring cars into compliance as follows: door reinforcement, headlights, glass and sealant, seat belt warning devices, bumpers, reflecting lights, flame retardant seat cushions, catalytic converters, oxygen sensors, electronic systems, evaporative emission units, filler neck restrictors and air pump systems.

According to Jackson, most of the gray market volume goes through 25 to 30 modifiers, 10 lab testers and fewer than 200 retailers.

Congressional Intent

While EPA and the commercial importers believe they are operating within the context of the Clean Air Act, members of Congress disagree.

During the writing of the 1970 amendments to the Clean Air Act, Sen. Edmund Muskie described the Act's goal as "prohibiting nonconforming cars from being distributed in commerce." According to staff members of the Senate Environment and Public Works Committee, the only exception provided was for returning servicemen and tourists.

In 1983, the Senate Commerce Committee reported, "A problem of increasing importance in the U.S. is the importation of cars which are not designed for the U.S. driving environment and this country's safety, emissions and fuel economy regulations. These special importation provisions have become a loophole through which entrepreneurs, operating outside of the importing and distributing companies of bona fide manufacturers, have created a gray market for importing illegal vehicles into the U.S."

In 1982, proposed legislative changes to the Clean Air Act included the Randolph Amendment, which would close the loophole to forbid importing any vehicle not certified by its maker as complying with federal emission, safety and fuel economy standards. The Randolph Amendment was included again in this year's Clean Air package but, like last year, will probably not get to the floor because of controversial acid rain provisions in the bill.

NADA Alarm

NADA would welcome legislation directing EPA to stem the flow of nonconforming vehicles into the U.S. NADA feels, however, that EPA already has the authority and the obligation to enforce equitable emissions standards, and a responsibility to do away with rules that put those who comply with the law at a competitive disadvantage.

"Franchised import car dealers and their manufacturers believe that the EPA's improper interpretation of the Clean Air Act is tarnishing their reputations and eroding their customer base."

NADA told EPA in comments submitted in January, "The rapid growth in importation of nonconforming vehicles threatens the continued viability of the automotive retail distribution system. Nonconforming vehicles represent potential lost new- or used-car sales by franchised dealers. Invariably, in cases of complex service or repair, such vehicles are brought to dealers representing the product line. The lack of available technical information and replacement parts has led to difficulties in service and repair, delays in work completion and high repair costs."

NADA has been voicing dealer opposition to EPA's rules on gray market cars since 1980. On June 4, 1984, NADA put EPA Administrator William Ruckelshaus on notice that without prompt action to restrict the flow of imported nonconforming cars, NADA may sue.

NADA is specifically calling for EPA to:

- Rescind its enforcement policy which permits individuals to import nonconforming vehicles five or more model years old without bringing such vehicles into compliance with applicable standards.
- Seize and dispose of imported nonconforming cars and require forfeiture of importation bonds, as required in the Act.
- Make all imported vehicles conform to emission standards, requirements and limitations prior to and during operation in the U.S.
- Stop allowing those not authorized by a manufacturer to import, modify and certify its vehicles.

The current unfair situation forces dealers to sell against their own products, often at a price disadvantage. By creating rules the EPA is incapable of enforcing, cars are allowed to be certified without proper inspection. By exempting cars five years old and older for personal use from modification, air quality standards and those who conform to them are compromised.

Many dealers, like Rudy Kraft of Florida, believe that "eliminating the gray area in the law will eliminate the gray market." NADA is alarmed at the existence of the gray market and the threat it poses to dealer reputations and liability and to the franchise system, in general. NADA wants the gray market to be seen for what it is—not a group of small independent manufacturers, but a distribution system that takes advantage of current market conditions and federal regulations to gain an unfair competitive advantage over franchised dealers. □

David S. Meyer, the former NADA Newsletter editor, is now with Popular Mechanics *magazine in New York City.*

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F&I Success

by William M. Graves Jr.

How to achieve maximum profitability in your dealership by separating the sales and finance functions, plus tips on hiring the ideal business manager.

You did not get where you are today by following the herd, so why do you let your F&I manager follow conventional finance and insurance procedures used by everyone else? Erase all preconceived notions you have about F&I. Wipe the slate clean. Stretch your mind. You are about to learn why a low-key sales closer with a knack for delivering automobiles is your ticket to substantially improved F&I profitability.

An F&I manager's primary function is to deliver vehicles. And here you thought for all these years that F&I managers simply handled finance and insurance! Now you can see why an F&I manager is an essential part of any dealership. Because you are interested in delivering automobiles, you can't afford to be without an F&I manager. (Obviously, small dealership size may dictate the need for a combination sales manager/F&I manager. Just make certain a manager of some sort takes charge of finance and insurance and, most importantly, the delivery of the automobile.)

Keeping Sales and F&I Separate

Why the need for an F&I specialist? Why not just let the sales force coordinate the sales of finance and insurance and handle the delivery as well? Because two sales should be occurring in each deal—that of the vehicle itself, and that of finance and insurance.

Quite simply, salespeople do not have sufficient time and training for effective F&I management. Moreover, salespeople are in a very vulnerable position when wearing two hats. Customers want to discuss finance arrangements with a banker, not a salesperson. And customers who just finished dickering about price are not about to throw in the towel when the salesperson tries to sell an extended service contract at full list. Would you? A fresh face in a different office works wonders.

Also, salespeople don't have the time or training necessary to fight banks for approvals and work deliveries. Salespeople lack the management responsibility and authority which give customers confidence. Most of their compensation comes from selling cars, not handling F&I. Let your salespeople do the job they were hired and trained to do. The further you keep your salespeople from your finance and insurance operation, the better off you will be.

Once you have established the need for an F&I specialist, the next step is to develop criteria for the proper selection of a finance and insurance manager.

Selection Criteria

In this age of inflated prices, high interest rates, modest customer downpayments, and consumer resistance to high payments, a finance and insurance manager must be lean and hungry. He or she must exude confidence, have vast stores of energy, and exhibit a driving desire to achieve a victory. A positive attitude, pleasant persistence, simplicity and conservative appearance are essential. Above all, your F&I manager must be a good communicator who is goal-oriented. Distill all of these qualities into one individual who is by some paradox detail-oriented, and you are

---

William M. Graves Jr. is vice president and general manager of Brandon Chrysler-Plymouth, Brandon, FL. He has an MBA from the School of Finance and Business Administration at Rollins College.

well on your way toward selecting the ideal candidate.

If you do not have an F&I manager who is highly proficient at closing sales, you had better get one, and fast! You are losing thousands of dollars each month. Finance and insurance departments are not havens for clerical types. Would you place an order-taking clerk in charge of one of your six major profit centers? Of course you wouldn't. But, if your finance and insurance department is run by a manager who is not an excellent salesperson, you have done just that without even realizing it.

Please do not misunderstand. Your F&I manager must be detail-oriented and low-key as a salesperson. I am not advocating that you turn your F&I office into a sales "boiler room." To significantly increase the productivity of your finance and insurance department, you need to hire a person who can do the following: maintain a spotless, well-organized office; dress and act like a bank officer; stretch his or her mind; be charged with enthusiasm prior to each T.O.; be an excellent communicator; take control of the customer; use proper timing; sell sizzle, not steak; use an assumptive close; and be disciplined, detail-oriented and hard-working.

If for no other reason than delivering an automobile, you need a sales closer in your F&I department. The simple fact is that retail finance deliveries are becoming harder to make due to increasing car prices and interest rates, and small downpayments. You need an F&I manager who can convince customers to accept higher payments.

Learning F&I

You need to learn more about your finance and insurance operation than you ever have known before. If you are like most dealers, your familiarity with F&I is limited at best. Never be "snowed" by the computer and the technical jargon. Whereas it might take months, even years, for you to run an F&I office effectively yourself, you can absorb the fundamentals in a matter of hours. Show me an F&I manager who tells you differently and I will show you a manager who is enhancing job security through your ignorance.

What follows is an "unveiling" of the finance and insurance function from the dealer's point of view. Together, we may even explode a few F&I myths along the way.

I want to explain the finance and insurance department from a different perspective based upon my own practical insight and highly successful F&I experience in Wisconsin, where F&I laws are very conservative, and Florida, where F&I laws are very liberal. Regardless of your usury laws, cap rates, demographic patterns or geographical locations, you will benefit from the following analysis. I firmly believe you will be able to put these principles to practical use in your own dealership. We have in ours. I have tried several other F&I procedures for extended periods of time, but none came close to offering the results we currently enjoy in our dealership. These procedures are not based upon some theory that worked several years ago. I am talking about right now. I practice what I preach. My most recent F&I turnover was this morning. You see, I double as an F&I manager during my manager's time-off periods. Enough said.

"If you do not have an F&I manager who is highly proficient at closing sales, you had better get one, and fast! You are losing thousands of dollars each month."

Following an analysis of our F&I department, I can point to nine reasons for our success. You might not feel comfortable with every procedure, but what do you want, comfort or extra profit? You be the judge as to whether these methods will work for your dealership.

Our success is completely dependent upon our ability to separate the sales and finance functions. Obviously, we make exceptions when absolutely necessary. But as a rule, we take control of the customer by selling the car first, and then selling the finance and insurance in a different setting. Why risk blowing a deal by allowing your people to tell a customer an estimated payment at the time of sale? In doing so, your people have made twice as much work for themselves. They have to sell the customer on the car price and the car payment. If the customer does not like the payment (most of them do not!), your people have just blown a car sale.

For a successful F&I department, try following these nine simple steps (which are discussed in detail on the following page):

1. Create the proper selling environment.
2. Sell salespeople on 100 percent turnover.
3. Practice qualitative art more than quantitative science.
4. Close sales one at a time.
5. Avoid giving payment estimates prior to delivery.
6. Develop a full line of aftermarket items for sale in the business office only.
7. Sell salespeople on not preselling aftermarket items.
8. Have finance deliveries handled by the business manager only.
9. Emphasize quick delivery, spot delivery whenever possible.

So there you have it. Some simple ideas based heavily on common sense. They work. When are you going to try them? If your business manager is capable of being the sales closer you need, you are in good shape. If he or she is not, you are losing thousands of dollars each month. Analyze your business manager. He or she can be the dealership's most profitable employee. Find out how to help the business manager improve. Learn to read him or her like a book. Just make certain you are reading a bestseller. □

9 Steps to F&I Success

1. Create the proper selling environment.

Your F&I manager should be referred to as the business manager in order to avoid customer resistance regarding finance discussion. The business office should be free of distractions. No unusual wall hangings. No aftermarket promotion poster on office or showroom walls. A theme of businesslike simplicity should be maintained. The goal is to put customers in the position where they can't say no to the business manager's offer of assistance. Ideally, the business manager should receive a turnover without any pre-sell of anything whatsoever.

2. Sell salespeople on 100 percent turnover.

Salespeople do not T.0. for a couple of reasons. They lack confidence in the business manager who refuses to direct them. And salespeople fear the business manager will blow a deal due to excessive aftersell. Rather than rant and rave, the business manager should sell the benefits to be derived from a proper turnover, and show the salesperson how much is lost in commission when the business office is bypassed.

In our dealership, we add aftermarket sales into the deal gross from which the salesperson profits. Some dealerships pay F&I commissions. Either way, the salesperson loses by not doing a T.0. Your business manager should point out that the dealership has little control over a deal that is not turned over and, as a result, could lose the deal. A successful business manager must deliver cars as soon as possible, thereby dispelling the fear that he or she blows deals. Logically speaking, a business manager would not kill off F&I income. He or she does not get a penny in F&I commission until the car is delivered.

3. Practice qualitative art more than quantitative science.

Your business manager should be a creative salesperson rather than an order-taking technical wizard who runs payments on a computer like some clerk. Anyone can give profit away by quoting payments. A skilled business manager maximizes profit by doing just the opposite.

4. Close sales one at a time.

Why needlessly confuse a customer by asking for two approvals at once: one for the car price and one for the car payment? Confused customers have a tendency to delay deal approval by doing just the opposite.

5. Avoid giving payment estimates prior to closing.

Payments represent another form of price in the eyes of a customer. You wouldn't volunteer a price to a customer, so why volunteer payments? Many dealerships avoid having salespeople discuss payments. Take that one step further. Have your business manager do the same. Obviously, the customer will balk unless a thorough explanation is given. Quite simply, the business manager should explain that the dealership shops the market in an attempt to save the customer money. Each bank offers different interest rates, different loan terms, different downpayment requirements and different credit approval requirements. Therefore, a payment quote would be a "guesstimate" and, as such, should be avoided. When properly explained, this system works with customers.

When exceptions are made, the business manager should give a payment range only. Positively no one but the business manager should quote a payment range. The sales manager must consult the business manager for guidance in order to avoid accepting deals in which payments would be totally out of line with customer expectations.

6. Develop a full line of aftermarket items.

The business office is the best place to sell aftermarket items. One well-trained aftermarket specialist who receives 100 percent turnover can significantly increase dealership profit.

7. Sell salespeople on not preselling aftermarket items.

Pay the salespeople a percentage of the aftermarket profit. The business manager should point out that aftermarket items sell only at full list when presented after a car deal has been written; one well-trained aftermarket specialist can give a better presentation than a group of salespeople; efficiency increases as deals are written faster, thereby enabling salespeople to handle more "ups;" and if salespeople do not have high-profit aftermarket items to help close deals, they will write with higher gross.

8. Have deliveries handled by business manager.

Most customers these days balk at base payments, let alone payments including credit life, accident and health, and a service contract. Once again, the closing skill of an effective business manager is needed to get the finance contract signed and the car across the curb. Since it is harder to sell up rather than down, the business manager should take the same approach as the sales manager. Start at list and drop down as necessary. At no time does a customer walk due to the business manager's desire to make F&I profit. That is a well-perpetuated myth. Ironically, the business manager is responsible for delivering more front-end gross than anyone would ever imagine.

9. Emphasize quick delivery.

Successful business managers live for deliveries. They make money when they make deliveries. Every effort must be made to spot deliver creditworthy customers to reduce the number of backout deals. Cars should be delivered within 24 to 48 hours.

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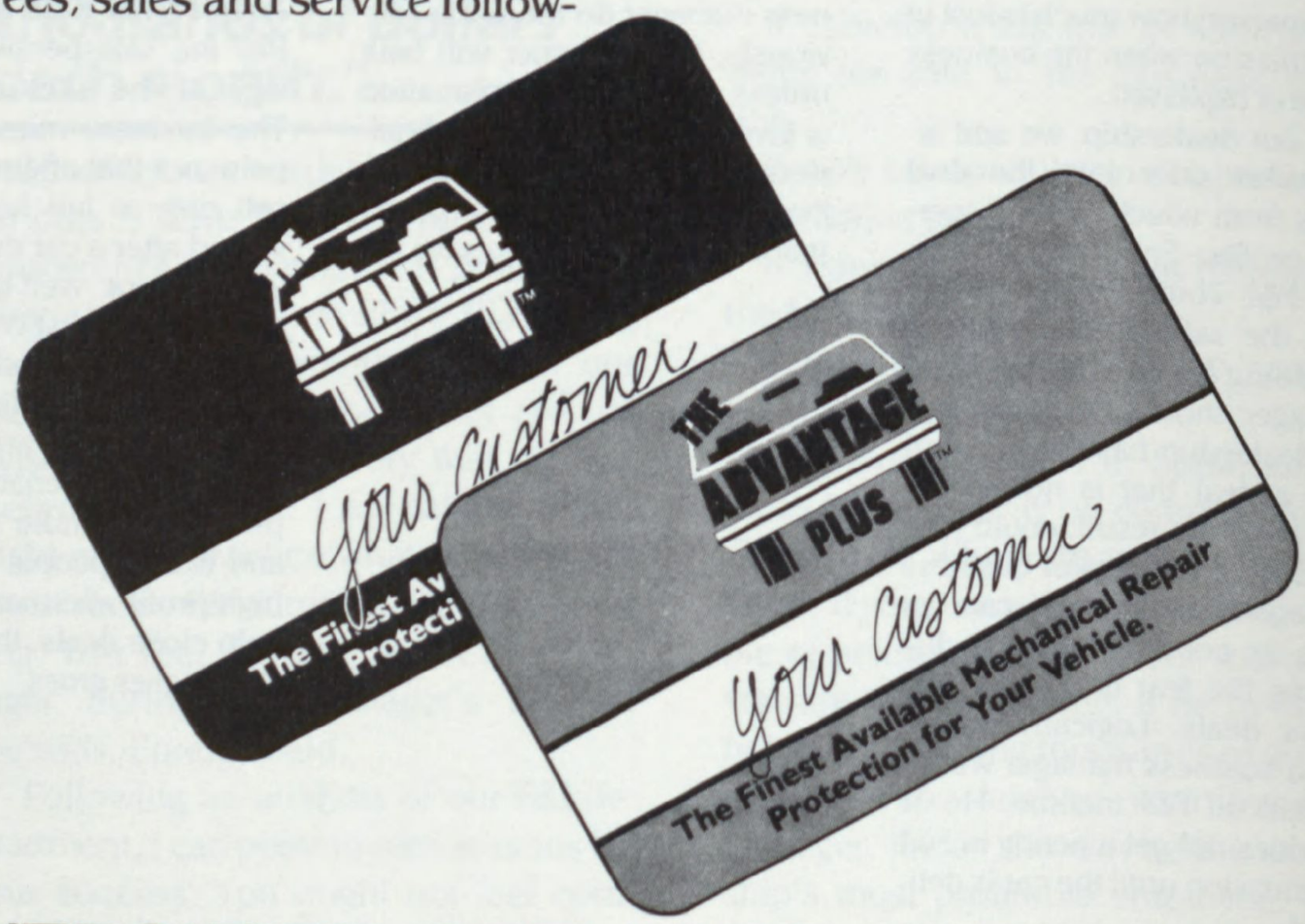
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***Automotive Executive* surveyed F&I firms for specific information including a brief description of the services the company offers. The following listing shows the information as it was received from each company.**

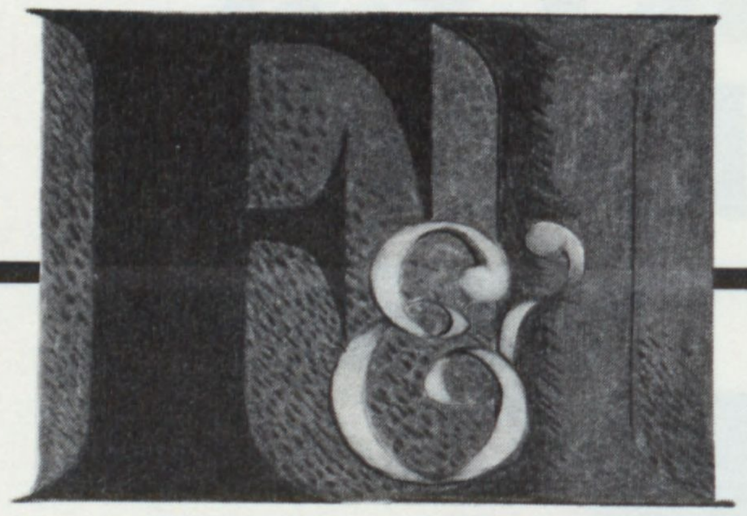
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ADP Dealer Services Division
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Schaumburg, IL 60195
(312)397-1700
(800)ADP-ADP-ADP (U.S. and Canada)

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Mike Freund, vice president, national accounts
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(800)331-4065

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Joe Schmitz, zone vice president
Don Combs, zone vice president
Stan Baker, regional vice president
Gary Floyd, regional vice president
Dave McIntire, regional vice president
Wayne Gibson, senior vice president
Bob Blond, vice president

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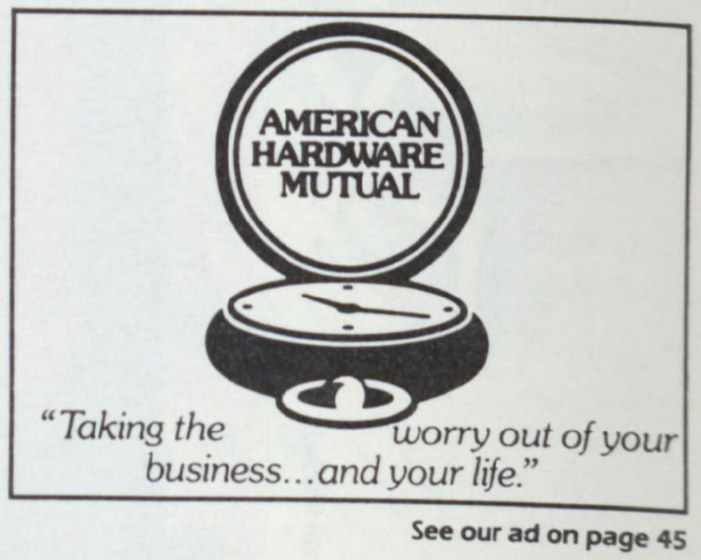
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Mission, KS

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R.C. Schwenk, vice president and general manager
D.M. Leventhal, vice president-sales
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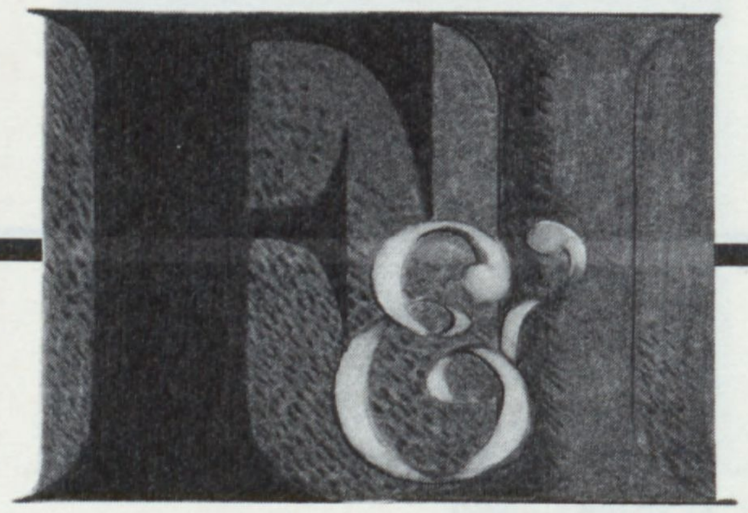
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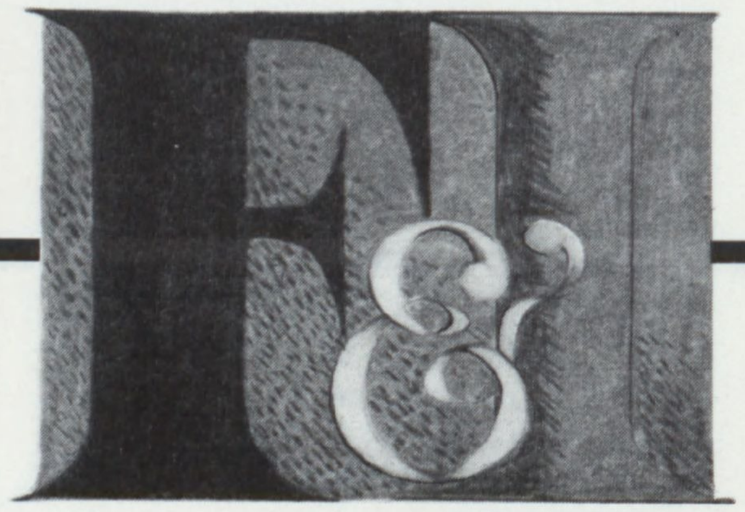
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Security Pacific Credit Corp. operates regional business centers in a number of states throughout the country that offer third-party leasing, purchase contracts, inventory financing and training programs to automobile dealers, as well as develops financing packages for automobile manufacturers. **Circle # 35.**

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Kenneth R. Blaker, marketing manager, Subaru Life Insurance Co. (SLIC)

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(800)323-5771

Lloyd E. Gearhart, president
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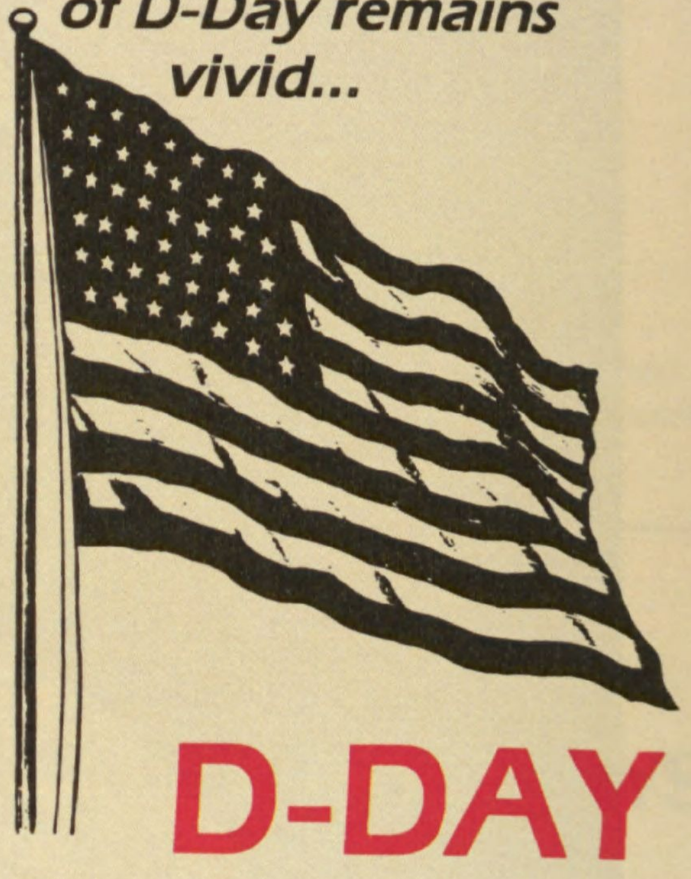
(For more information circle #6)



Doug Bradley, The Lawrence Journal-World

Clark as a young lieutenant in 1943.

Meet Jim Clark, auto dealer from Lawrence, KS, whose memory of D-Day remains vivid...



D-DAY REMEMBERED

thanks to the people of Periers, who named their town square after him and call him "hero."



Associated Press

On June 6, Jim and Jannene Clark pose with Periers official Raymond Burckert, left, after the unveiling of a street sign honoring Clark.

All was quiet when Lieutenant Jim Clark and his three companions, a *Life* magazine photographer and two wire service reporters, arrived at the front line on the outskirts of Periers, a small town in Normandy, France, the morning of July 26, 1944.

Clark had been asked by his commander to escort the correspondents

by Gary James

one-half mile to the front so they could observe the action. "Try not to get any of them killed," he was told. "The paperwork is tremendous for non-combatants."

At the front line, the infantry company commander told Clark he thought the Germans had pulled out of Periers. A patrol was sent ahead to check.

Hearing no gunfire, the newspapermen pressured Clark to let them go into town. "I knew better, but they insisted," remembers Clark, today an auto dealer in Lawrence, KS. "They even suggested they go in by themselves. I agreed to proceed with caution until we met the patrol."

The foursome picked its way down a heavily mined road into town. As they approached the village square, Clark sensed trouble. "There wasn't a soldier, civilian, cat or dog on the street," he says. "No doubt the Germans were looking at us over their rifle sights. If they *had* pulled out, the French civilians would have greeted us with flowers, wine and dancing in the street."

Clark warned his companions to "keep cool" and calmly led them back out of town. Outside, they ran into the U.S. patrol. "I asked the sergeant, 'Where in the world have you been?' " Clark says. "He answered, 'We saw some Germans, so we hid in a side yard. I didn't call out because I figured if you and those civilians wanted to capture the town, you were welcome to it.' "

Many Periers residents witnessed the episode from their basement windows, Clark says. "They knew if we ventured much farther we'd get our heads blown off. But the German soldiers, being well-trained, weren't going to shoot unless we came too close, because they didn't want to give away their positions."

Two days after Clark's near miss, U.S. bombers and infantry attacked the town, capturing the small German force that had been left behind to slow up the Allies' advance.

For the reporters, the trip to Periers marked a "memorable experience," Clark says. "As for me, I was just plain mad at everybody. We were lucky to get out alive."

But to the people of Periers, Jim Clark represented a hero— the first American to enter their town after German occupation. This year, as part of the 40th anniverary celebration of D-Day, the Periers town council named a street and town square after the intrepid GI, who earned Purple Heart and Silver Star medals for later combat experiences.

In early June, Clark and his wife, Jannene, traveled to Periers for a dedication ceremony. Joining them were 180 soldiers and spouses from his unit, the 90th Infantry Division. The group was only a fraction of the tens of thousands of World War II veterans who visited



Normandy June 6 to commemorate the anniversary of Operation Overlord, commonly known as D-Day.

"The townspeople poured their hearts out," Clark says. "Even though 130 citizens lost their lives during U.S. bombing, there's no bitterness. They recognize that was the price they had to pay for liberation."

Periers showered Clark's unit with wine, food, gifts and music. As the "premier Americain," Clark received special attention, including the key to the city. "Every mother in town also made sure they got a picture of me with their sons," he says.

Activities included a parade, church service and visit to the 172-acre U.S. cemetery at Colleville-sur-Mer, where 9,386 soldiers are buried. Among them are 700 men from Clark's division. "We had the highest casualties of any division in the war," he says.

"The sight of row after row of white crosses and Stars of David still makes my head spin," he says. "You walk through and realize that none of them was there before we started fighting." The group also placed a wreath at the nearby German cemetery, where 21,000 soldiers lie at rest.

Clark almost lost his life before ever touching foot on Normandy's Utah Beach, one of the key sites in the largest amphibious invasion in history. On D-Day, Clark was on the troop ship "Susan B. Anthony," awaiting transfer to landing craft, when a torpedo slammed into the hull, sinking the ship in 30 minutes. "We were the only boat sunk in the entire invasion," he says. More than 3,000 men were aboard.

A British destroyer picked Clark up about seven miles off shore, then delivered him by landing craft to the wrong end of the beach—without equipment. Before nighttime, however, he found his way back to his unit.

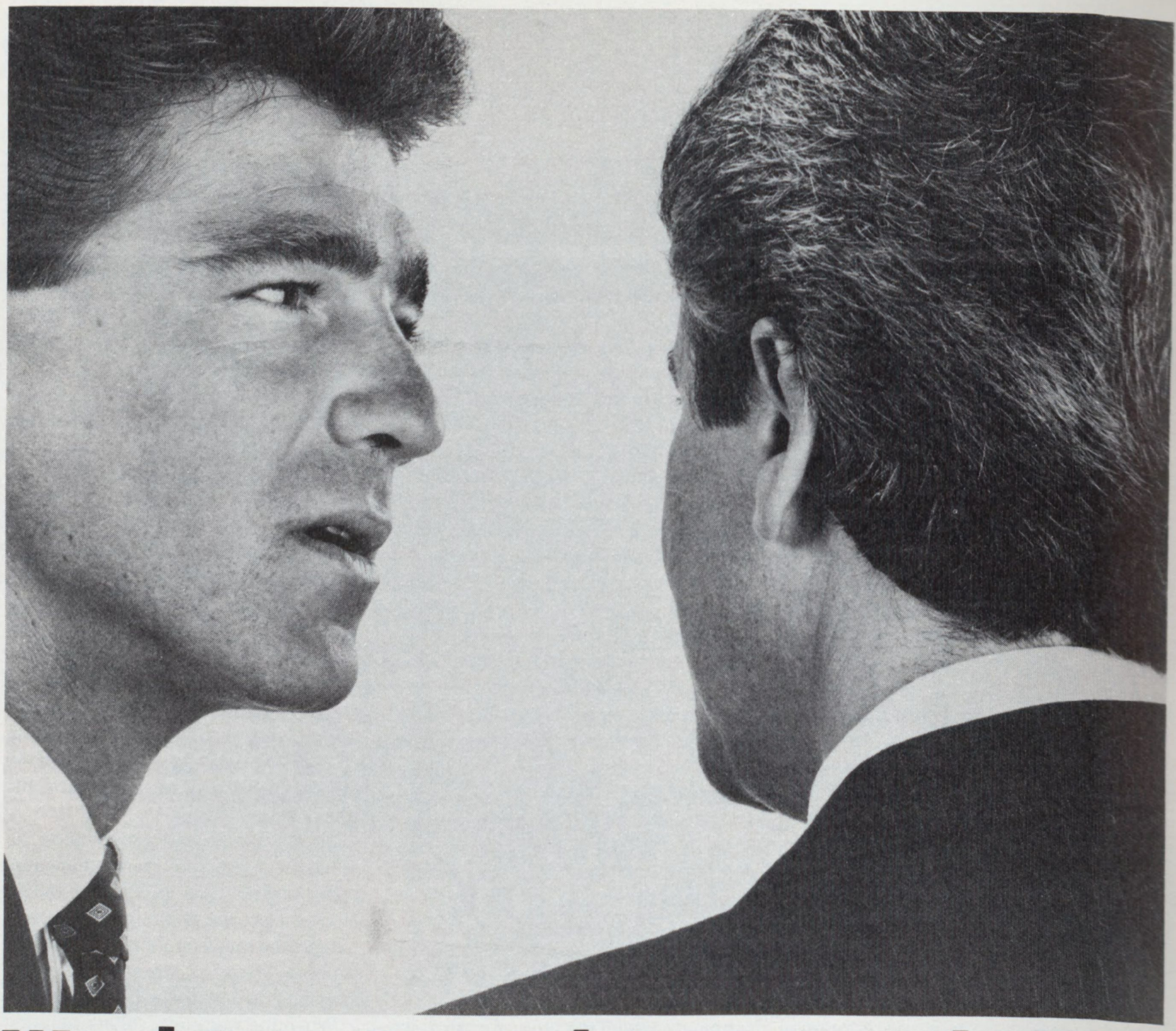
Clark's other war experiences include the race across France, the battle at the Maginot Line and Bastone Bulge. He was also one of the first Americans to enter the concentration camp at Flossenburg, Germany, where hundreds of starving prisoners were finally released.

When the war ended, Clark returned to the states to study law. He took a job as general manager of a Kansas City Dodge dealership, and in 1955, purchased his first store, a Dodge-Plymouth dealership in Lawrence, KS, with eight employees. Since then, he has owned 10 dealerships. Present franchises include Plymouth, Dodge, Chrysler, Chevrolet, Oldsmobile, Cadillac, Honda, Volkswagen and Isuzu. He also runs one of the largest independent leasing companies in the state.

Clark, NADA director for Kansas and chairman of the Chrysler line group, says he's been taking phone calls from dealers ever since he returned from France. "'Good Morning America' featured our unit during its D-Day coverage three days in a row," he says. "I didn't know so many people watch morning TV."

In 10 years, he says, the unit plans to reunite in Periers. "There's a special bond between us all. We don't want to let it fade." □

Gary James is the senior editor of Automotive Executive *magazine.*

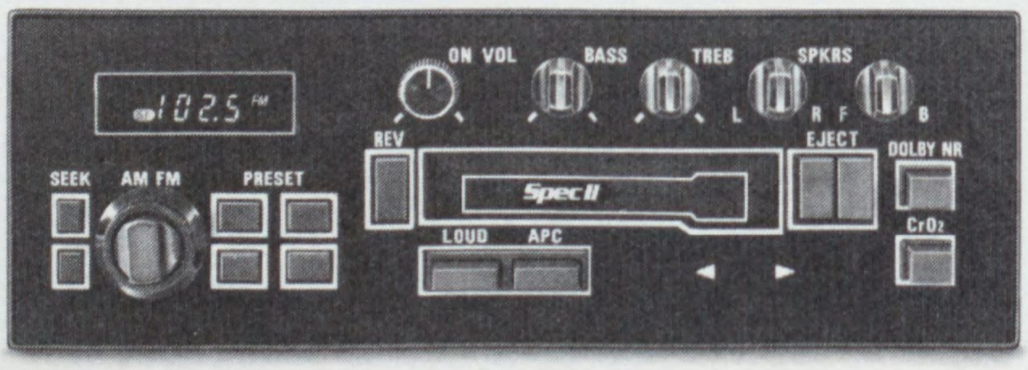


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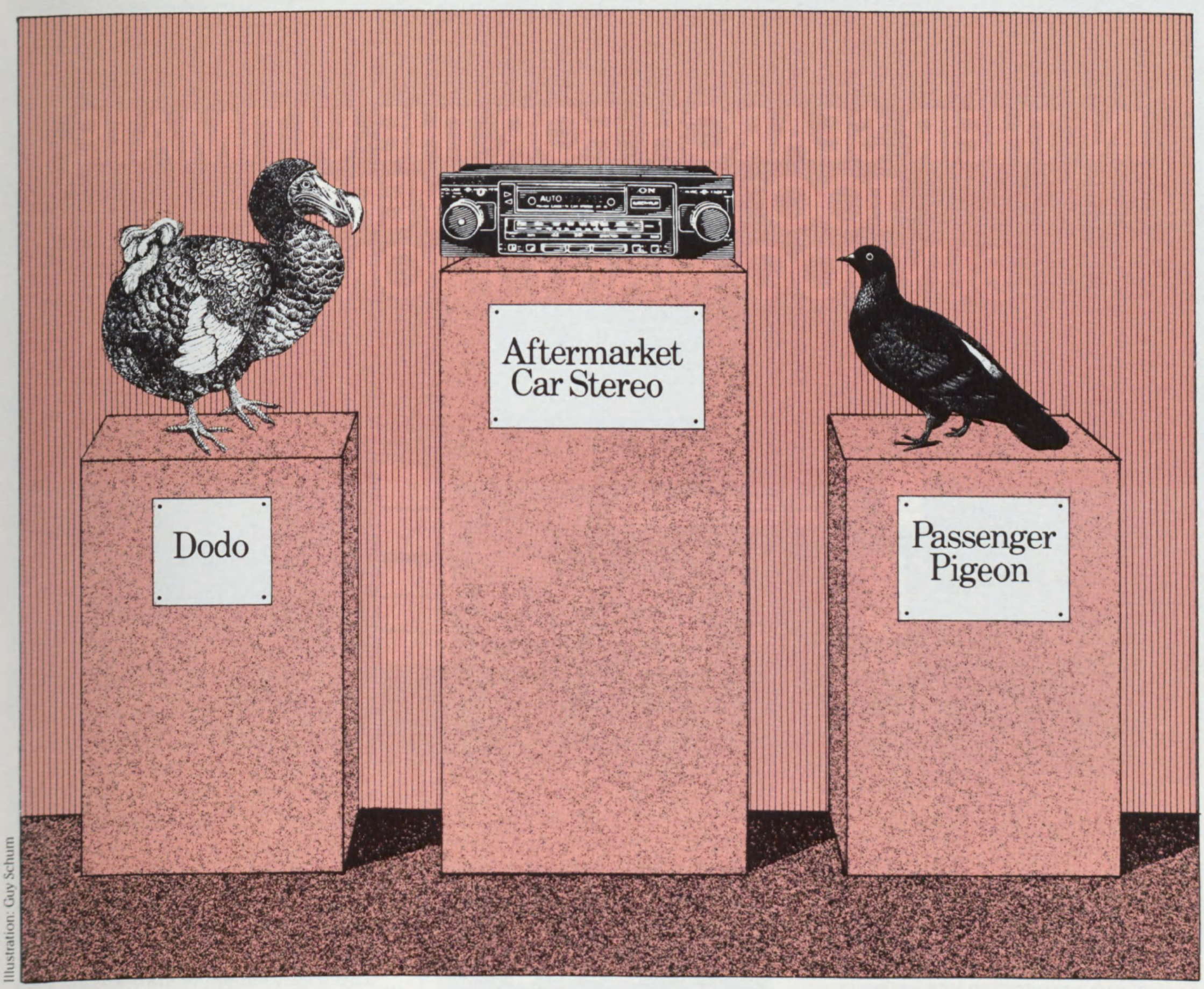


Illustration: Guy Schum

by Ted Orme

At the big Chicago Consumer Electronics Show this June, manufacturers of automotive sound products showed off a dazzling array of innovative new systems. Yet, among some manufacturers and distributors of custom aftermarket systems—suppliers who compete directly with original equipment manufacturers—there was a gathering gloom.

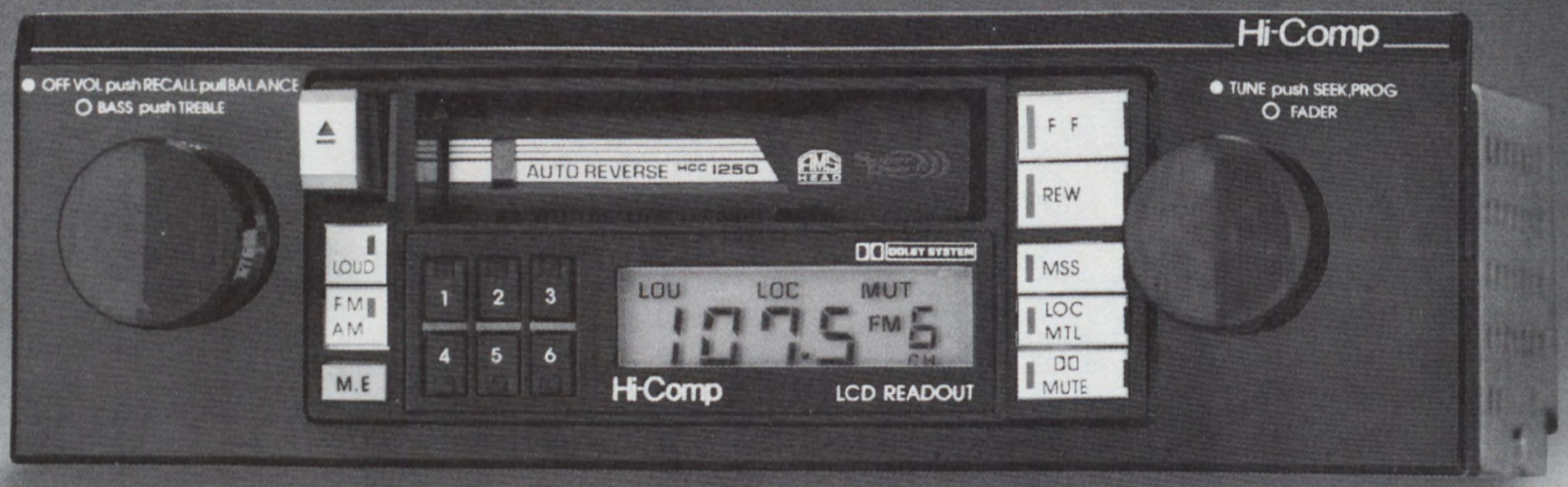
Despite an unabated consumer demand for better sound systems, and continued increases in sales and profits, the long-term outlook for aftermarket systems doesn't look good. Like many after-sale profit centers auto dealers have developed in recent years, this one is seeing a steady encroachment by automobile manufacturers.

Cheryl Hollins, executive director of the Car Audio Specialists Association (formerly the Custom Automotive Sound Association), reports that at a CASA workshop at the Chicago show, the consensus was "the autosound aftermarket is losing its share of the market because of recent manufacturer practices." She outlined these practices as "more standard equipment radios, a higher level of equipment radios, more option packages, and pressuring dealers to order factory radios to get the cars they need to sell." In addition, Hollins says members were concerned about auto manufacturers moving aggressively into new product areas, like AM stereo, cellular radios and vehicle security systems, which will be incorporated as standard equipment in many cases, as well as a steady movement toward integrating the sound system with other functions of the car.

"All of this points to the fact that the industry has to take some kind of stand," says Hollins. What course of action CASA will take will be debated at a board of directors meeting in late summer. Legal and legislative remedies will be considered, of course, but CASA would rather negotiate as it did in 1978, when GM brought this issue to a head by

Aftermarket Sound: An Endangered Species?

IN THEIR SEARCH FOR THE ULTIMATE, TOO MANY BUYERS BUY TOO MANY PROMISES



One of the newest ideas from Audiovox is this Electronically Tuned receiver, the HI-COMP HCC-1250. The challenge was to fit a unique number of high performance features into a diminutive sized component.

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(For more information circle #45)

attempting to make radios standard equipment on all its new 1979 X-cars. Instead of a knock-down, drag-out, high-cost court fight, however, CASA was able to gain a voluntary agreement with GM, as well as with Chrysler, Ford, American Honda, Mazda, Subaru of America, Toyota and Volkswagen of America, to allow a radio delete option on some 150 models covering roughly three million cars.

These agreements all expired at the end of the 1983 model year. Though no manufacturer has formally terminated the agreements, none has been extended. The result, based on CASA figures, is a 13-percent decline from model year 1983 to 1984 in the number of models offered for sale as radio optional vehicles.

"We are trying to educate the industry and the public about what's happening," says CASA President Jay Jennis, head of J & J Corp., a large New Jersey distributor for five brands of aftermarket radios. "The independent car stereo people need car dealers as allies, and it isn't happening because dealers need cars and they aren't going to stick their necks out to do anything to disturb relationships with their suppliers. They're selling cars and making money, but what happens when things tighten up? When the time comes that they have to look at aftermarket profit centers again, they may not be prepared. The factories are slowly whittling them down, taking the percentages and the goodies away."

Jennis and others warn that this squeeze play by auto manufacturers will also affect the retail aftermarket, where sales are sensational at the moment. "Right now young buyers are coming in with four-year-old cars with AM radios and they want upgraded sound systems. But four years from now those same used cars will have some pretty good factory sound systems in them. Will they still want an upgrade from a chain store?"

A quick look at what's going on at GM's Delco Electronics Division gives some indication of the future. According to Assistant General Sales Manager Al Mattaliano, 95 percent of all GM passenger cars are now sold with radios, compared to only 80 percent in 1978. In 1978, only 37 percent of GM radios were stereo and almost none had electronically tuned receivers. Now 80 percent are stereos and two-thirds are electronically tuned.

"Enhancements" for 1985 GM models are impressive. All cassette systems will have seek and scan, auto reverse, backlighting and dynamic noise reductions which filters out high frequency hiss, for both tapes and radios. The super-successful Delco-Bose system, which Mattaliano calls the "world class standard in music," will be extended to all the new "C" cars (Buick Electra, Olds 98 and Cadillac DeVille) and to several smaller, less costly models.

There will also be an enhanced

OEM Radio Program Policy for 1984 U.S. Models

General Motors

Radios optional	50
Radios std. equipment & deletable	90
Radios std. equipment, non-deletable	9
Total GM models	149

Ford Motor Co.

Radios optional	5
Radios std. equipment & deletable	75
Radios std. equipment, non-deletable	18
Total Ford models	98

Chrysler Corp.

Radios optional	8
Radios std. equipment & deletable	27
Radios std. equipment, non-deletable	17
Total Chrysler models	52

AMC/Renault

Radios optional	6
Radios std. equipment & deletable	12
Radios std. equipment, non-deletable	6
Total AMC/Renault models	24

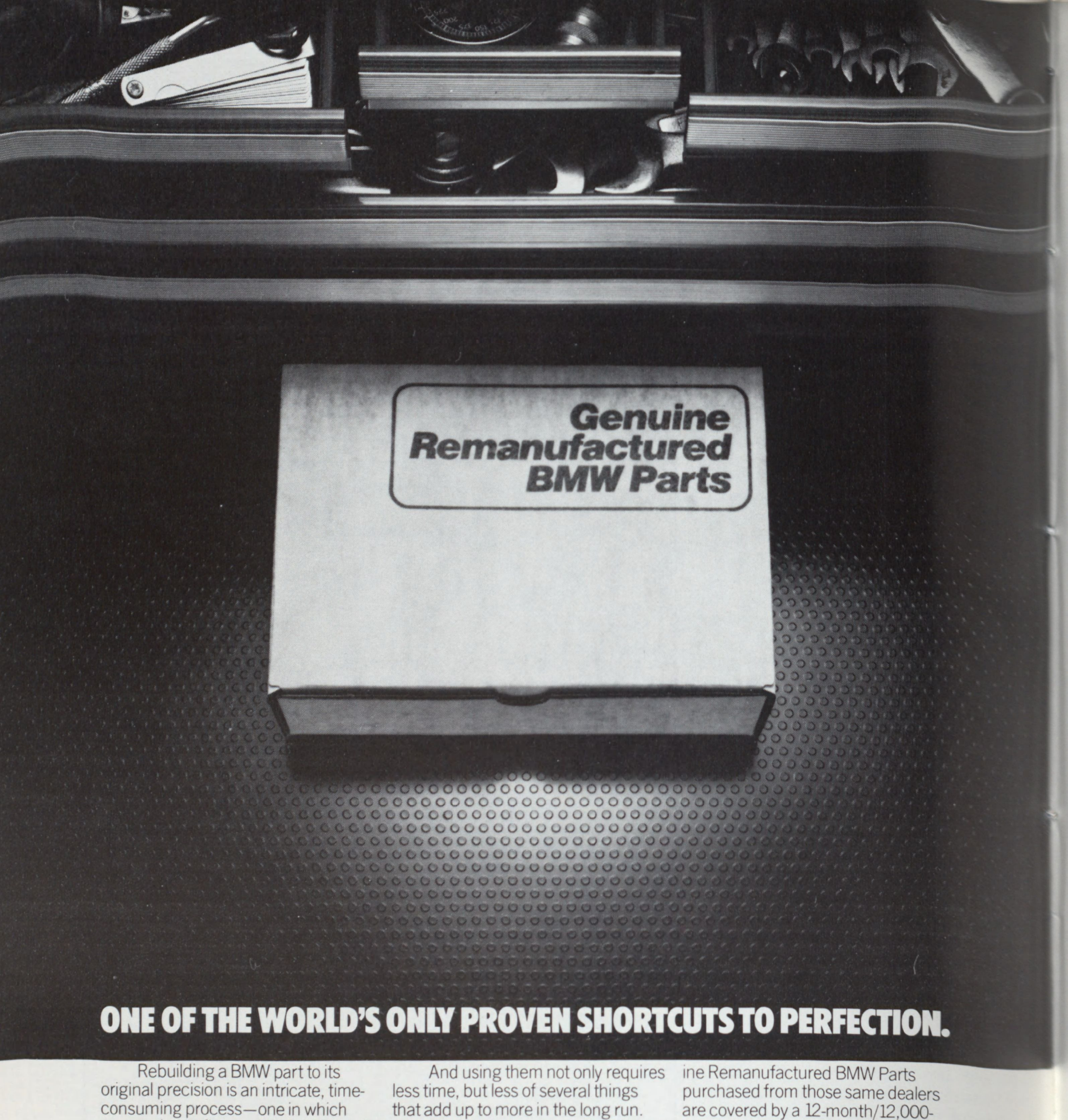
Importers*

Radios optional	74
Radios std. equipment & deletable	24
Radios std. equipment, non-deletable	82
Total import models	180

**Includes Audi, Datsun, Honda, Mazda, Porsche, Subaru, Toyota, Volkswagen, Volvo for U.S.*

Total radios optional	143
Total std. equipment & deletable	228
Total std. equipment, non-deletable	132
Total models	503

Source: CASA, 2101 L St., N.W., Washington, DC 20037, (202) 828-2270



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speaker line in '85, featuring vehicle contoured speakers (VCS). This means the frequency response is contoured to absorb the properties of the vehicle, creating better highs and better music. Some systems will include six speakers.

All '85 model radios will get AM stereo and soft touch controls, and the five-band "Equalizer Five Series" will have search and repeat—"if you don't like a song on a tape, you punch a button and it will go to the next one," Mattaliano explains. For the future, Delco is looking at compact digital discs, TV sound (listen to the soaps on the way to the market), weather band and cellular radios.

It's a simple matter of responding to demand, Mattaliano points out. "We found that sound systems are like air conditioning. Once you have a good system, you don't buy the next car without it. And once a person buys a stereo cassette player and builds a library of tapes, they don't downgrade from that. They go up.

"I think the revolution in home electronics has a lot to do with it," he adds. "People want the same thing in their car that they have at home. We don't have to convince them about music."

As these systems become more complex, it is only natural that manufacturers design them for particular models and integrate the sound systems with other options like air conditioning and cruise control. The "systems" approach to auto sound, as opposed to the component approach, is one of the big advantages of original equipment, Mattaliano points out. "Dealers and customers both like it."

Are automakers putting the squeeze on the aftermarket with these new initiatives?

"No," says Mattaliano. "I really believe it's what people are asking for. Besides, there is plenty of business out there for both aftermarket and OEM."

Bruce Moulder, national sales manager for ARA Manufacturing's auto sound products division, quietly concurs. He believes that the aftermarket share of the pie is shrinking, but ARA is getting "a bigger chunk." He attributes this to agressive marketing, good product and the fact that ARA employs a "one-stop concept for aftermarket supply"—radios, air conditioning, cruise control, sun roofs, power door locks and windows, and so on. Taking a leaf out of the carmaker's book, this allows the company to package its aftermarket products to dealers, who, in turn, offer them as a package to customers. "A good idea is a good idea," he says.

"I believe as long as you can put together good programs, dealers will listen," says Moulder. The trick is anticipating what the customer wants two years from now and staying ahead of the competition." He believes ARA has done that with its custom-designed products. Advanced products, plus good dealer profits—25 to 30 percent greater than OEM equipment—"keep you in the ballgame," he says.

"If the customer can buy a radio from the factory that has four bells and six whistles, and we can come up with one that has eight bells and 12 whistles, we have a good shot at the business," Moulder concludes.

Fred Deutch, sales manager for Clarion, is downright cocky about the prospects for his company, which is heavily involved in all three auto sound markets—retail, custom and OEM. He points out that Clarion is "the largest independent source of auto sound in the world," with the advantage of economies of scale, innovative development programs, and flexibility—both in terms of a wide variety of products and distribution channels.

"We are *the* automotive specialist in sound," Deutch says modestly. "There isn't anybody who can make the claims we can."

Jim Cole, president of Southern Auto Sound, the largest distributor of Clarion sound systems with a 13-state region in the South, is not nearly so optimistic. "We are hurting," he says, "and so is everybody else in the business. Today, we can still overcome obstacles one way or the other, but we are already shut out of some markets and we will lose more next year." Cole refers specifically to GM's plans to go to more package option deals and to integrate its sound systems with other options. "In that case, the only things left to sell are upgraded speakers to the sound system."

Cole reports that many of his dealer customers "are disappointed they will no longer have that profit available, but the auto business is good and they are making money. It's kind of like going to a good restaurant and finding out they are out of lamb chops. There are still a lot of other good things to eat.

"It just means we will have to work a little harder," he sighs. "We're in the process of developing a program that makes it easier for the dealer to upgrade the customer to a sophisticated sound system. He will sell fewer radios at a higher price, but he will still have a sound equipment profit center in his dealership."

Phillip Christopher, senior vice president for Audiovox, doesn't mince words. "The ones (aftermarket sound manufacturers) who say they're not worried don't know their business. Our business is up too, but our market is being minimized, and we are very concerned with the momentum auto manufacturers have developed."

He says the crux of the problem is the very different positions taken on the auto sound system by OEM and aftermarket manufacturers. "The manufacturers believe they are selling one product—the vehicle—and everything on that vehicle is part of that one product," Chiistopher explains. "The position of the aftermarket is that the sound option is truly an option, and should be kept that way."

Christopher could not say what action CASA would take, except to suggest if the situation continued to worsen for the aftermarket, strong action was inevitable. He reiterates that if the aftermarket sound market continues to shrink, "the big losers would be the consumer and the dealer."

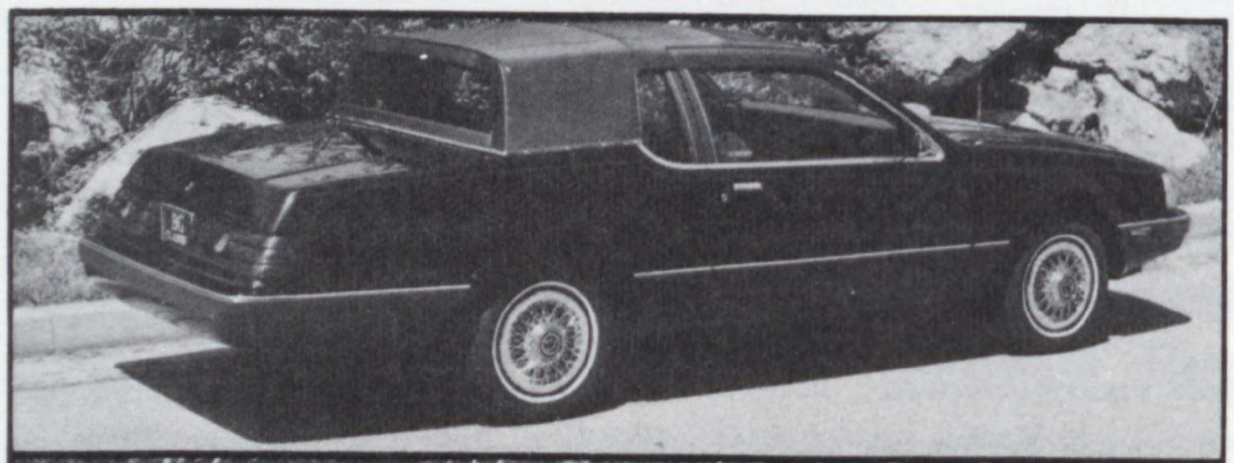
As the CASA consumer brochure says, "the choice is yours." □

Ted Orme is a contributing features writer for Automotive Executive *magazine.*

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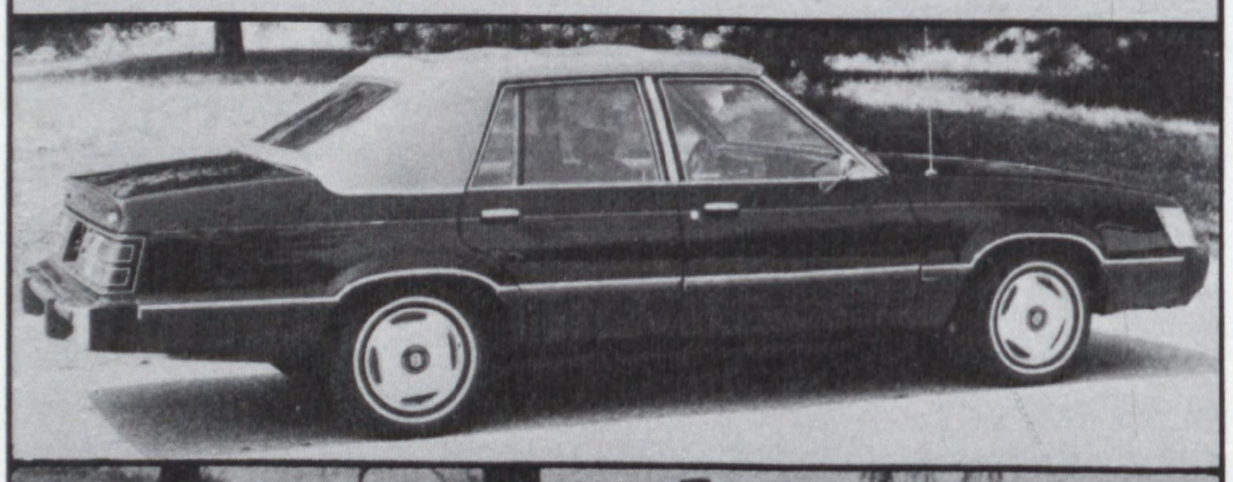
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It is estimated that 90 percent of the deaths of children under 5 in car accidents, and 67 percent of the injuries, could have been prevented by the proper use of child safety seats.

Child Safety Seats:
Vaccine for Tragedy

by Ted Orme

About 5:15 p.m. on July 27, 1982, a Dodge sedan traveling on a two-lane state route near Addison, NY, crossed the yellow centerline and collided head-on with a Ford sedan. The Dodge was occupied by three adults and two infants, all of whom were in the front seat unprotected by safety belts or child safety seats. The infants, ages 5 months and 15 months, were riding in the laps of their parents. The two infants were crushed into the dashboard by the weight and acceleration of their parents' bodies and died of massive head injuries. The parents and the driver survived with moderate injuries.

Can there be anything more tragic than the needless death or crippling of a child? Yet, the National Transportation Safety Board (NTSB) estimates that up to 90 percent of the 3,400 deaths of children under 5 in car accidents, and 67 percent of the injuries, could have been prevented by the proper use of child safety seats.

"In the United States," says the Safety Board, "more infants and small children under 5 years old are killed or crippled while riding as passengers in motor vehicles than the total killed or crippled by the seven most common childhood diseases. Motor vehicle accidents are the number-one traumatic cause of epilepsy, and are a major traumatic cause of mental retardation and spinal cord injury in children."

The sad case above is one of 53 detailed investigations undertaken by the NTSB in 1982 and used in its recent report, *Child Passenger Protection Against Death, Disability and Disfigurement in Motor Vehicle Accidents*, to illustrate the lifesaving and injury-prevention benefits of child safety seats.

Contrast that case with this one:

About 8:10 p.m. on August 17, 1982, the driver of a 1982 Subaru occupied by a family group enroute to a local restaurant in Shawnee, OK, lost control of the vehicle and crashed into the brick wall of a building at a speed of about 30

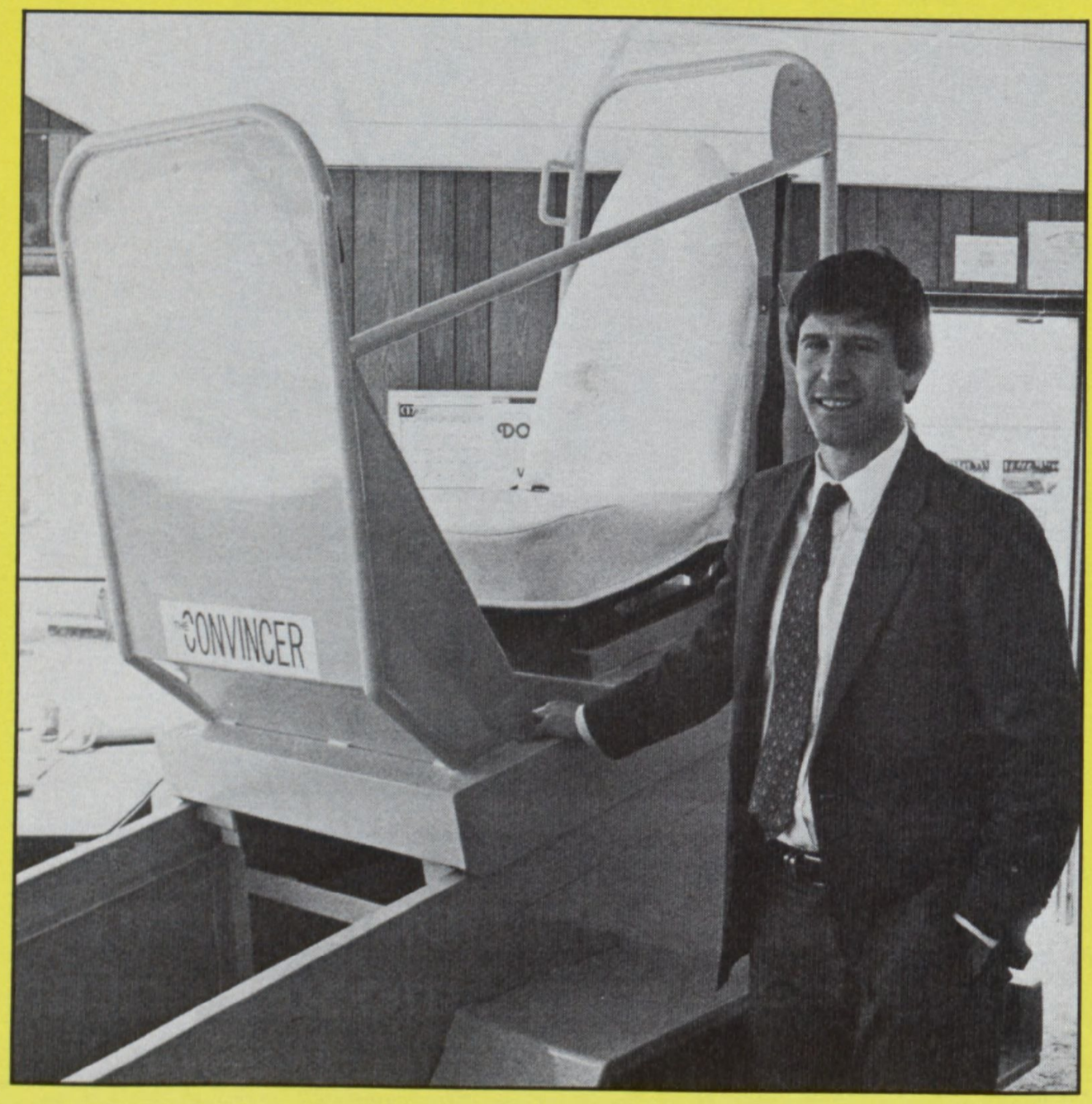


Photo by David Meyer

Dealer Don Beyer just purchased a "Convincer," which he loans to schools and civic associations.

Child Safety Seats:
Auto Industry at Work

NADA, state automobile associations, dealers and automakers have thrown their collective support behind the effort to expand the use of child safety seats.

Safety seat promotions, incentive programs, public education campaigns, loan-a-seat programs and support for passage and enforcement of state laws are a few of the initiatives the industry has taken against the number-one killer of our children.

NADA has taken a strong advocacy role on such key highway safety issues as drunk driving and seat belt use, and added its support and endorsement to last June's National Child Passenger Safety Awareness Day, sponsored by the National Child Passenger Safety Association and the American Academy of Pediatrics. NADA encouraged its member dealers and state associations to offer their facilities for clinics on proper child restraint use and to aid in distribution of public education materials.

NADA does not consider "Awareness Day" a one-shot effort. The association strongly urges its members to stay involved with this and other vital public safety concerns as a demonstration of their commitment and responsibility to the communities they serve.

"The job must be done at the grassroots level if it is to succeed," says Mark Herrmann, president of Mark Buick and Mark Subaru, Yonkers, NY, and chairman of the NADA Communications Committee. "You don't reach people's consciousness with some edict from a national headquarters. It has to be done where they live, work...and drive."

With seed money from NADA's Automobility Foundation, the Arkansas Automobile Dealers Association is working with state highway safety officials and state police on a program to educate the public on the benefits of child safety seats and the penalties for non-use under the Arkansas law passed last year. The association is developing a

(continued from page 55)
mph. It took rescue crews about 30 minutes to cut through the car and extricate the four unrestrained, seriously injured adults. After the adults were removed, the rescuers discovered a 3-month-old baby contentedly playing in a child safety

slide presentation for use by civic groups, hospitals, community health facilities and social service organizations, as well as child safety seat displays for all interested dealerships.

The association also got substantial media coverage of a special drawing for six child seats at the recent auto show in Little Rock, and received media commitment to a public service campaign for child seats in June. The association estimates its total budget for these activities at $7,500.

John Bale, president of Bale Chevrolet in Little Rock and chairman of AADA's Safety Committee, believes the child safety seat campaign will get the same widespread support from Arkansas dealers as did the association's highly successful drunk driving campaign in 1983. "We believe that safety is very much on people's minds and, certainly, when you are talking about protecting children, it is an important issue and one everyone can identify with."

Though the benefits of public service campaigns of this sort are often hard to measure, Bale believes it is "good advertising for dealers." Bale recently donated 50 child safety seats to a local hospital for use in a loaner program for low-income families.

Ron Young, parts and service coordinator for Landmark Ford in Cincinnati, has sold more than 20,000 Ford Top Guard infant seats in the past two years as the local supplier for the KISS (Kids in Safety Seats) program, sponsored by the state government. The program provides prenatal training for low-income

seat in the right front bucket seat of the car. The baby's father suffered brain contusions, extensive facial fractures and lacerations, and a crushed chest with all ribs fractured. The mother suffered a ruptured spleen, and both arms and one wrist were broken. One of the baby's uncles, a 21-year-old man who was studying to be a pianist, suffered two broken arms and a fractured vertebra which left him paralyzed from the shoulders down. The other uncle suffered a fractured skull, a compound fracture of one arm with nerve damage, and a dislocated ankle. The only injury to the baby was a small bruise.

Based on the preliminary results of its initial investigations, the Safety Board in December 1982 urged all governors or governors-elect in states without child safety seat laws to adopt such laws. At that point only 19 states had passed child passenger protection laws requiring safety seat use. During 1983, however, the number rose to 42 plus the District of Columbia.

Unfortunately, as the NTSB found out, there are numerous limitations and loopholes in these state laws and virtually none of them was designed to foster the transition of children from safety seat use to safety belt use. The report also identifies a number of problems

(continued on page 58)

expectant mothers, who can buy the infant carriers for a discount or rent them for 90 days for only $5.

Young also markets the infant carriers, as well as a full line of child seats, to all hospitals with loaner programs and to any community organization or agency that transports children. He keeps a safety seat display at one hospital and, of course, one at Landmark Ford.

A long-time advocate of highway safety programs, Young says the dealership "makes a few bucks" on the sale of the seats, but the real return is "the recognition we get as a dealership that cares about people."

Auto manufacturers are also finding that promotion of child safety seats makes good business and social sense. Last year, Nissan gave away stuffed animals to each buyer of its new, high-quality safety seat, which Nissan officials call the "most advanced in the industry." The company estimates sales of the seats will exceed 13,000 the first year.

On February 1, Chrysler/Plymouth and its dealers launched a "Handle With Care" campaign which offers substantial discounts on three Century Products child safety seat models to consumers who agree to take a test drive in any 1984 Plymouth vehicle. No car purchase is necessary. Consumers simply mail a certificate validated by the dealer and the seat is shipped directly to their home.

Intended as a three-month promotion, the campaign has been so successful that the division extended it until July 30. Some 1,400 Chrysler/Plymouth dealers participated in the program, with 5,000 child safety seats sold in the first three months of the campaign—far more than normal.

"Hopefully, our 'Handle With Care' program offer will expose more parents to the latest protection available, as well as provide a purchase incentive," says A. C. "Bud" Liebler, Chrysler/Plymouth general marketing manager. "Safety protection does cost, whether it's in the form of restraint systems that are built in to a vehicle, or in the form of special restraints for car owners who have small children. We think it's a small price to pay. In the case of this child seat program, we're making it an attractive bargain."

During their visit to dealerships, consumers also get free brochures with the hard facts on unrestrained children in auto accidents, safety tips for travelers, and a description of the three seats being offered.

Volvo has long been an advocate of auto safety, promoting it heavily within the company and among its dealers, as well as to its customers. The result of this commitment is a strong appeal to safety-conscious consumers.

Don Beyer Volvo of Falls Church, VA, capitalized on this built-in safety interest of Volvo buyers with an outstanding traffic safety program which won the NADA Safety and Mobility Council Grand Award in 1981.

In his showroom is a "safety display car" equipped with mannequins in seat belts, a Volvo child safety cushion, and other child safety seats offered at the dealership. Full descriptions of all Volvo safety features are a regular part of every sales presentation, and salespeople must buckle up on demo rides. Child safety seats are provided on all demo rides and, if the customer buys the car, the child seat is given to the family as a gesture of goodwill. Child seats are also provided for all rental and lease cars.

But the effort doesn't end there. Beyer just purchased a $5,800 seat belt "Convincer" to install in his showroom and to lend to schools and civic associations. He got the idea from this year's NADA Convention, where a Convincer was on display.

In the past, Beyer has also put much of his advertising budget into public service announcements for highway safety issues—drunk driving, seat belt usage, etc.—and this year he will be pitching for mandatory seat belt laws. But he points out, "if you spend $10,000 in PSAs, you get back $30,000 worth of public exposure.

"We choose to go this route," Beyer continues, "because we think the typical car owner is searching for a new form of owner/dealer relationship based on mutual trust and respect—one which would fully meet all needs for safety, comfort and service."

Dealers wishing to expand their role in this critical safety area should contact the National Child Passenger Safety Association, P.0. Box 841, Ardmore, PA 19003, (215) 525-4610. □

with misuse of child safety seats and the enforcement of child passenger protection laws.

So, while the rapid acceptance of state laws requiring child safety seats will surely have a significant impact on this serious health problem, there is still much that remains to be done, and it is here that dealers can help. As influential community leaders you can add your support for child safety belt laws in states where they do not exist, and as safety seat retailers you can aid in the public education effort to promote child safety seats and their proper use. (See article on page 56.)

The following is a summary of the findings, conclusions and recommendations of the NTSB study which tells where NADA stands on this critical matter and how you can help.

Why Kids Are So Vulnerable

Because of less built-in anatomical protection against injury, "infants and small children are subject to a significantly higher risk of serious head, spine, chest and abdominal injury in accidents than are older passengers," write the authors of the NTSB study. "The head is also large and heavy in relation to the body, resulting in a higher center of gravity. In an accident, the infant or small child is likely to be catapulted through the air toward the vehicle point of impact head-first as a helpless 'unguided missile' or human torpedo, into a violent collision with the vehicle interior."

The study shows that this risk exists even in noncrash situations, such as sudden stops, turns, swerves, or from the unrestrained child falling from a moving vehicle. Ejection of an unrestrained child from a vehicle, either in a crash or noncrash situation, also increases the chance of fatal or serious injury from striking the pavement, another vehicle or other exterior objects, in addition to the danger of injuries from contact with the vehicle interior before and during ejection.

Infants held in an adult's arms are at an even higher risk of injury or death. In a 30-mph collision, a 20-pound unrestrained infant can generate a propelling force of 300 to 600 pounds—far too great to hold on to even by a buckled up passenger. If the adult is unrestrained, the lap-held infant is subject to being crushed against the vehicle interior by the adult's body, which, being heavier, can generate a propelling force of several thousand pounds even in a moderate collision.

The study also pointed out the need for all other vehicle occupants to be properly restrained to prevent additional injury to a child from violent contact with unrestrained occupants propelled by crash impact forces. In short, everyone riding in a car should be properly restrained.

Misuse—A Big Problem

Child safety seats, when used according to the manufacturer's instructions, can provide excellent protection against death or serious injury in motor vehicle accidents. (Household infant carriers and home booster chairs do not!) However, the Safety Board found that in 28 of 34 accidents investigated in which children were riding in child safety seats, the seats were misused.

The most prevalent misuse problem was the failure to use or correctly anchor the tether strap required on many safety seats. When it was used, it was frequently found tied to some part of the vehicle, rather than being properly secured to an anchor installed for that purpose. Two other critical misuses found were the failure to fasten the safety seat harness around the child (or not securing it snugly) and the failure to use the vehicle safety belt (or failure to fasten it in the correct place on the safety seat) to secure the safety seat tightly to the vehicle. These errors allowed children to be propelled from the safety seat, or both the safety seat and the child to be propelled together against the vehicle interior.

Problems also arose from the difficulty in understanding and using often complicated safety seat designs, instructions and labeling. The Safety Board called for improvements in these areas by safety seat manufacturers, and dynamic test procedures and further research and developmental crash testing by the National Highway Traffic Safety Administration (NHTSA).

Compatability problems with some safety seats and manually adjusted seat belts have also cropped up, prompting NHTSA to issue a consumer advisory. In some instances, NHTSA found the angle at which the seat belt is buckled around the safety seat is the same angle that permits adjustment of the belt length. As a result, the belt—and the child safety seat—may not remain secure in a crash. The problem does not involve lap belts that automatically tighten by a retractor, or child safety seats that are installed with a tether anchorage strap.

Dealers who retail child safety seats should make sure that parents are installing them properly, making doubly sure the lap belt is tightly cinched. If necessary, twist the short end of the buckle several times to shorten the length of the belt. If that fails, or the lap belt loosens when the safety seat is tilted from side to side, NHTSA recommends turning the adjustable end of the lap belt upside down before inserting it into the buckle. This effectively defeats the adjustment mechanism and prevents the webbing from loosening.

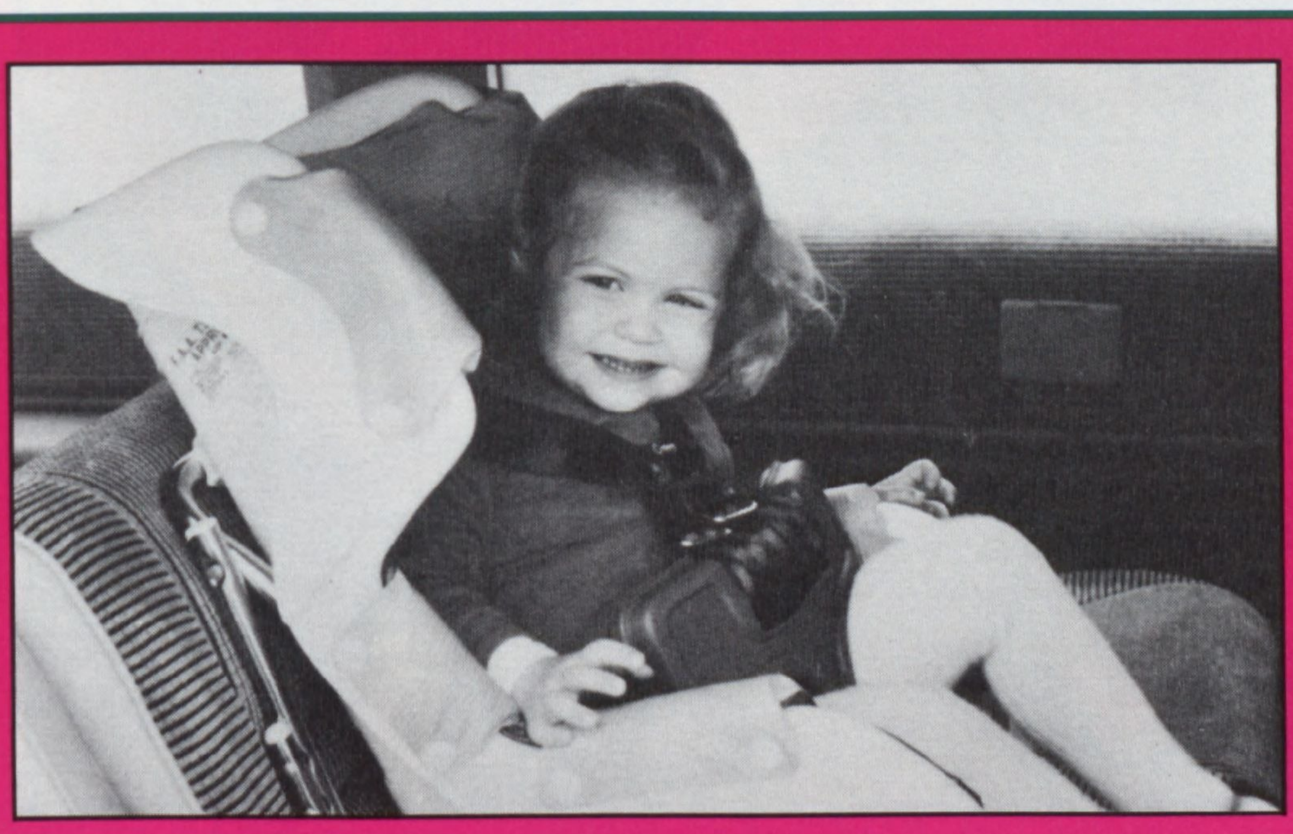
The Safety Board also recommended stepped-up public education and safety seat loan programs, as well as improved training for police and accident investigators in order to better identify the kinds of misuse problems that are occurring in accidents and determine their magnitude. This information is necessary to simplify safety seat design and to improve manufacturers' usage instructions and labels.

State Laws—
Limitations and Loopholes

The first child passenger protection law in the U.S. was enacted in Tennessee in 1977. Since then every state except Alaska, Idaho, Iowa, Pennsylvania, South Dakota, Texas, Utah, Vermont and Wyoming have passed similar legislation. Child safety seat usage rates are climbing significantly in states with

mandatory usage laws, and death and injury rates for infants and small children in motor vehicle accidents are dropping. But the state laws vary considerably, and all contain provisions which define and limit their applicability. "While some limitations are necessary," the Safety Board points out, "others have the effect of excluding children from the protection of the law unnecessarily. Consequently, the laws fail to place a clear prohibition on transportation of unrestrained children.

(continued on page 60)



Chrysler-Plymouth Public Relations

Child Safety Seats:
Elements of a Good Law

The Safety Board believes that child passenger protection laws should incorporate the following major elements:

Age and Type of Protection

1) For infants and children through 4 years old whose height does not exceed 40 inches and whose weight does not exceed 40 pounds, require use of a child safety seat or other child restraint system; for a child 1 year old or older transported by a person other than his or her parent or legal guardian, or in a vehicle which is not owned by the parent or legal guardian, permit use of a safety belt, preferably in the rear seat, in lieu of a child safety seat.

2) For infants and children through 4 years old whose height exceeds 40 inches or whose weight exceeds 40 pounds, require use of a safety belt, preferably in the rear seat, or a child restraint system, such as booster seat, which is appropriate for the child's height and weight.

3) For all children age 5 and older, require use of a vehicle safety belt or a child restraint system, such as a booster seat.

4) Exceptions: a) when restraint use would be inappropriate for medical reasons or during an emergency; or b) when the number of passengers exceeds the number of seating positions equipped with safety belts, if all safety belts are in use and if preference in use of restraints is given to children.

Person Responsible for Child's Protection

The driver is responsible, except when the child's parent or legal guardian is present in the vehicle.

Vehicles Subject to Requirements

All vehicles equipped with safety belts at the time of manufacture or currently equipped with safety belts.

Specific Prohibitions

1) Temporarily unrestraining a child for nursing, feeding or diapering.

2) Using household infant carriers or home booster chairs not designed for motor vehicle crash protection.

3) Leaving a child under age 5 secured in a child safety seat or child restraint device in a vehicle that is unattended by an adult.

Acceptable Child Safety Seats and Child Restraint Systems

Those which meet applicable Federal Motor Vehicle Safety Standards in effect at the time of manufacture.

Proper Use Required

1) A child safety seat or other child restraint system must be used exactly in accordance with the manufacturer's instructions.

2) A safety belt must be used properly, according to the instructions of the vehicle manufacturer.

Penalty for Noncompliance

An appropriate fine, which may be waived for the first violation upon provision of proof that a child safety seat or other appropriate child restraint system has been acquired within a period of time established by the law.

Enforcement

Evidence of violation is sufficient cause for enforcement without the occurrence of a separate violation of law or other prerequisite.

Evaluation

Ongoing or periodic evaluations of effectiveness of state law, including measurements of the degree of compliance, the degree of misuse of child safety seats, the degree of enforcement, and accident consequences to restrained and unrestrained child passengers. □



Many of the major manufacturers offer child safety seats to new-car buyers. Nissan's seat, for children 4 months to 4 years old, is sold through its 1,100 dealerships.

The laws tend to have four kinds of limitations: those on the adults responsible for complying with the law; those on the children who must be protected; those based on "personal needs" exemptions; and those which restrict the enforcement of the law.

Laws in 33 states, for example, restrict the applicability of the law to residents of the state, or to drivers of vehicles registered in the state, or both. In 16 jurisdictions, the law applies to the child's parent or legal guardian only, and 11 of those laws are further limited to motor vehicles owned by the parent or legal guardian. Three laws are limited to drivers who regularly and customarily transport a small child, and two provide exemptions for use of a temporary or a substitute vehicle. The effect of these limitations in many cases is to exclude infants and small children from the protection of the law because the person transporting them is not subject to the law.

Many children also are excluded from protection by provisions in the state laws which limit applicability to certain children based on age, weight, height or some combination thereof. And in five states a child does not have to be properly protected when he or she is being nursed or when an adult is attending to the child's "personal needs."

Although the intent of child passenger protection laws is positive, rather than punitive, the Safety Board found that enforcement limitations were, in some cases, too lax. In two states, law enforcement officers are not permitted to stop a vehicle solely for the purpose of enforcing child protection laws, and in three other states, there is no penalty for violations, only the issuance of an oral or written warning. And even in states without these limitations, enforcement efforts were often found to be minimal.

Probably the most glaring deficiency of state child passenger protection laws is the lack of any provision to foster the transition of children from safety seat use to safety belt use. With the notable exception of New York, which at this writing has a mandatory safety seat bill awaiting the governor's signature, most states limit these requirements to age 5 or less. The result is, while more children are riding in safety seats than ever before, there is still widespread nonuse of any kind of passenger restraint by older children. "Moreover," the Safety Board notes, "there is no evidence that use of child safety seats leads to safety belt use later..."

Safety belts are not as effective as safety seats in preventing serious injury or death of infants and small children, and there is a potential for misuse of both safety belts and booster seats, but the Safety Board urges states to develop a better public understanding of the benefits and limitations of all restraint devices. Additional crash test studies and accident data are also needed to better evaluate the use and crash performance of safety belts by small children, to better identify benefits and limitations, and to provide guidance to legislators and the public.

Improving a Good Thing

Based on an analysis of its safety seat study, the Safety Board has drawn together all the major elements it feels necessary for an effective child passenger protection law, and it is encouraging states to incorporate these elements into their laws. The Safety Board has also made a number of recommendations to federal and state agencies, safety seat manufacturers and vehicle manufacturers intended to increase the usage rate and improve the effectiveness of child safety seats. The support of all concerned parties is also enlisted in this effort. With it, we may see more crash cases like the one that follows:

About 10:10 a.m., a 1975 Datsun B-210 traveling northbound on Corbin Avenue in Woodland Hills, CA, was approaching an intersection where the traffic signals were not functioning due to a power outage. As the Datsun proceeded into the intersection, it was struck in the left front by an eastbound vehicle. The 34-year-old driver of the Datsun was restrained by a lap/shoulder safety belt and her 2-year-old son was properly secured in a forward-facing child safety seat. The driver received only minor injuries and the child was not injured. Investigators determined that, had the child not been restrained, he probably would have received serious and potentially fatal injuries. □

Ted Orme is a contributing features writer for Automotive Executive magazine.

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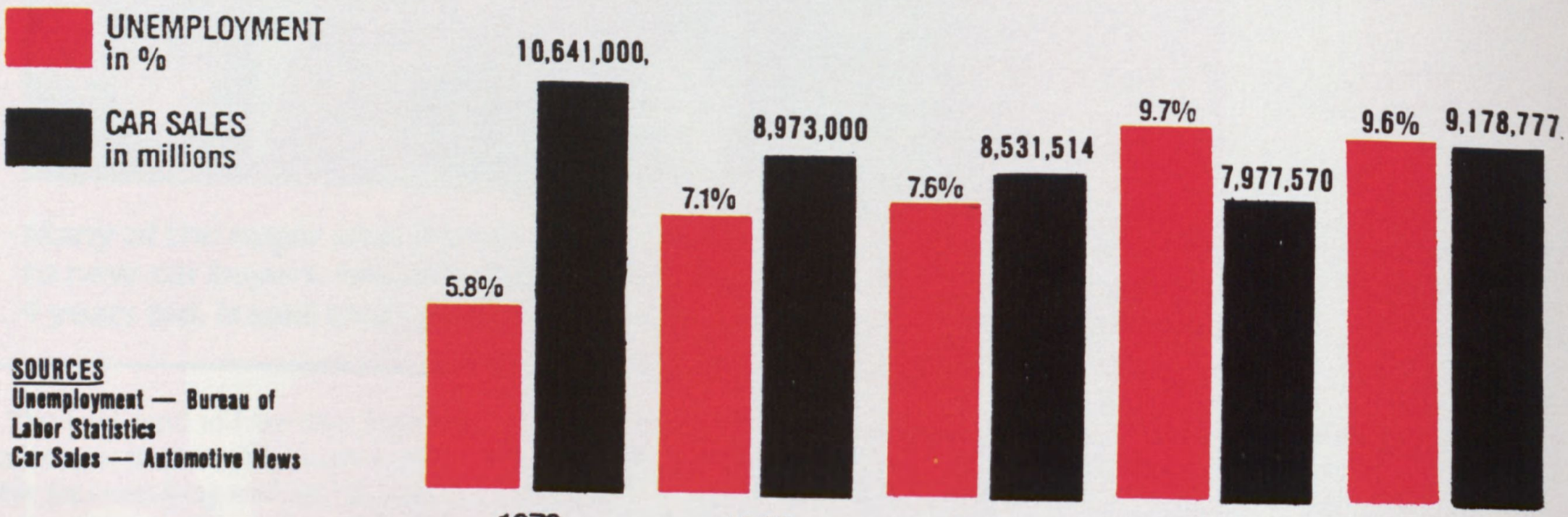
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SOURCES
Unemployment — Bureau of Labor Statistics
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(For more information circle #42)

On the Hill

Fleet Subsidies

On June 7, the Subcommittee on Commerce, Transportation and Tourism of the House Energy and Commerce Committee held hearings on H.R. 5305, the "fleet subsidies" bill. NADA President Jim Jennings testified in strong support of the legislation. This was the second congressional hearing on the fleet subsidy issue; the first was held on December 19, 1983, in Jackson, MS, Rep. Wayne Dowdy's (D-MS) home district.

H.R. 5305 was introduced by Reps. Gene Taylor (R-MO) and Dowdy in late March, giving the bill bi-partisan support. H.R. 1415 was re-drafted and introduced as H.R. 5305 to clarify language so the central intent would not be misconstrued. The new legislation exempts fleets of federal, state and local governments, and the American Red Cross. It also allows for continued regional incentive programs currently used by manufacturers to stimulate regional sales. Like its predecessor, H.R. 5305 makes it unlawful for manufacturers to offer subsidies or incentives to fleet, leasing or rental companies that are not made available to other purchasers.

In his testimony at the June 7 hearing, Jennings explained the basic objectives of the legislation as follows:

"Simply put, the legislation before you today is an effort to bring basic fairness to the pricing of motor vehicles. It would eliminate the preferred class of customers which is now created by manufacturer programs and would allow all purchasers to enter the automotive marketplace on equal footing.

"Let me make it clear at the outset that the dealers of this nation have no desire to harm the automobile and truck rental and leasing industry, or to place this industry at a competitive disadvantage with the new-car and truck retail industry in the U.S. Many of the members of this association are engaged in the leasing and rental business. Our intent is quite the contrary. We are merely seeking competitive equality between these two industries which compete to supply the basic transportation needs of this country."

In discussing the competition between new-car dealers and the leasing industry, Jennings noted, "The simple truth of the matter is that leasing companies are vigorously competing head-to-head with small business new-car dealers. There is, of course, nothing wrong with head-to-head competition. The problem arises when the supplier of the product chooses to make one of the competitors a preferred customer and sells its product substantially cheaper to this preferred customer. This is precisely what is happening with the current subsidy practice of the domestic automobile and truck manufacturers. A fleet purchaser can often buy a vehicle substantially cheaper than a franchised new-car dealer can purchase the same vehicle for resale. This is unfair competition."

Jennings concluded by saying, "There is absolutely no reasonable public policy reason or any other reason manufacturers should favor leasing over purchasing or fleets over individual consumers. It distorts the market, creates unfair competition and unnecessarily establishes a preferred class of customers. We are not asking for a competitive advantage over the leasing industry. This legislation merely puts competitors on equal footing."

"The time has come to ensure fair competition in the automobile and truck marketplace, preserve the franchise system of motor vehicle distribution and eliminate discriminatory practices that injure both dealers and consumers. We think H.R. 1415 (H.R. 5305) will accomplish these objectives."

On the Senate side, similar legislation, S. 2770, introduced on June 14 by Sens. John Melcher (D-MT) and James Abdnor (R-SD), has been referred to the Senate Judiciary Committee. □

This column is prepared for **Automotive Executive** *by the Legislative Division of the National Automobile Dealers Association. All comments or questions pertaining to this column should be mailed to:* **On The Hill, *Automotive Executive*, 8400 Westpark Drive, McLean, VA 22102-3593.**



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Legal Briefs

Statute bars "below invoice" advertising

A new-car dealer in New Jersey was found to have violated the New Jersey Consumer Fraud Act when he distributed an advertisement that stated that many of his cars were "priced well below dealer invoice" (*Barry v. Arrow Pontiac Inc.*, No. A-4582-81T2, N.J. App. Div., 2/9/84 (rel. 3/8/83)).

The Consumer Fraud Act, N.J.S.A. 56:8-1 et seq., prohibits dealers from advertising their prices as compared to the dealer's cost or inventory price. The court concluded that since a "dealer invoice" price is not a fixed or uniform cost, a meaningful comparison cannot be made by the public.

The dealer was ordered to cease the advertising practice and was charged with a $1,600 penalty. ■

Preliminary approval given in Toyota suits

The U.S. District Court for the District of Maryland has preliminarily approved a settlement agreement and dismissed the Toyota antitrust litigation by five states and the District of Columbia against Mid-Atlantic Toyota and Toyota dealers within the states' respective jurisdictions (*In re Mid-Atlantic Toyota Antitrust Litigation*, U.S. Dist. Ct., D. Md., No. MDL-456, 5/9/84). Toyota dealers in Delaware, Maryland, Pennsylvania, Virginia, West Virginia and the District of Columbia were charged with conspiring to fix the prices of automobile protective sealants in 1980. The state actions and two class actions were consolidated.

Last May, the court ruled on the first version of the settlement, approving a payment to qualified purchasers of either $135 in cash or $250 in goods and services. A dealer could have joined this settlement or refused. Eventually, all dealers joined in the settlement. The final terms of the settlement still contain the provision limiting the recovery of qualified purchasers to $135 in cash or $250 in goods and services. New restrictions will apply to the receipt of goods

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(For more information circle #15)

Next month in

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RV/Van Buyer's Guide
A pull-out section featuring more than 125 companies, plus a feature on Elkhart, IN, RV/Van Capital of the World

Lemon Laws
An indepth look at a growing trend in consumer protection, and how it affects dealers and manufacturers

Body Shop
Why you should be in the body shop business

and services, however, and there will be some variations among the states. Now, consumers must choose to apply the credit toward a new or used vehicle purchase or to select from among frequently used repair services.

The proposed payments from the dealers will vary by state and depend on the date of settlement. Original terms included a "ceiling" of payments of $55 per vehicle up to a region maximum of 35,000 cars. Other dealers are bound to repay $55 to each purchaser for each 1980 Toyota sold with the protective sealant package. Terms will be different in Virginia and Maryland due to some insolvencies. In Pennsylvania, each purchaser will receive a check for $150, with no options for goods and services. In West Virginia, the terms call for consumer payments of $125. ■

Attorney-client privilege may not be waived by bankruptcy trustee

In a case of first impression in the circuit, the U.S. Court of Appeals for the Seventh Circuit decides that a corporation's attorney-client privilege may not be waived by the bankruptcy trustee (*Commodity Futures Trading Commision v. Weintraub*, [1983] 52 LW 2307, 12/6/83, 7th Cir., 11/21/83). The court compares the corporation's right to counsel with that of an individual and concludes that there is no basis upon which to treat the two differently. Reasoning that the trustee does not replace the corporation or its officers and directors, the court concludes that the corporation continues to exist until formally dissolved.

While the trustee may have the power to manage the debtor corporation's property and assets, there is no transfer to the trustee of the corporation's legal rights. Also, allowing the trustee to waive the attorney-client privilege may have a damaging effect on legal representation because of restricted attorney-client communications. Moreover, an absurd result may occur when the trustee waives the corporate privilege concerning information desired by the trustee.

In two other circuits, however, it has been held that the bankruptcy trustee does have the power to waive the corporate client-attorney privilege (*In re O.P.M. Leasing Services Inc.*, 670 F.2d 383 [2d Cir. 1982]; *Citibank, N.A. v. Andros*, 666 F.2d 1192 [8th Cir. 1982]). These cases were distinguished on their facts from the reported case in the Seventh Circuit. □

This column is prepared by the Legal Group of the National Automobile Dealers Association. For further information or questions concerning the items appearing in this column, write: **Legal Briefs, NADA Legal Group, 8400 Westpark Drive, McLean, VA 22102-3591.**



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(For more information circle #23)

Truck Focus

The Frustrations of FET Regulations

Much has been written and grumbled about the Surface Transportation Assistance Act of 1982 (STAA). Federal Excise Tax (FET) regulations continue to baffle, frustrate and, in some cases, exasperate truck dealers 16 months after enactment.

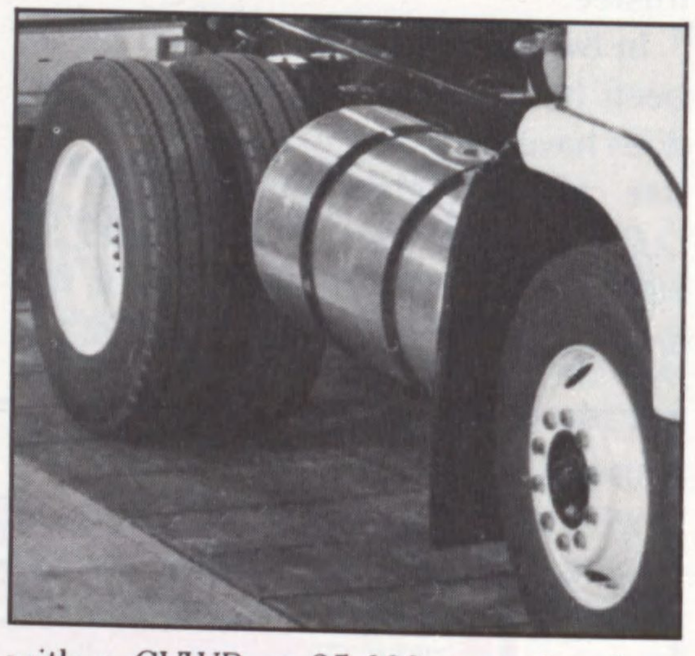
After the bill was passed and signed into law January 7, 1983, the task of researching, preparing and writing regulations for the new taxes fell to the Internal Revenue Service. Temporary regulations were published 11 weeks later (four days after the law was to take effect on April 1).

The IRS has developed a system that begins with what are known as temporary regulations. The IRS is fully aware that technical corrections will have to be made, errors will appear and certain elements must be clarified. It is the temporary regulations requiring clarification that cause taxpayers the greatest difficulty in compliance.

One of the procedures the IRS uses to clarify temporary regulations is to place them into effect and then track taxpayer inquiries as to type and frequency. If a particular question is repeated often, the IRS will take an in-depth look at it before preparing permanent regulations. Regardless of how helpful an IRS explanation may be to a taxpayer's telephone inquiry, the response is never binding on the IRS.

The only way a taxpayer can obtain a binding clarification from the IRS is to request a private letter ruling from the national office in Washington. A private letter ruling normally addresses a very specific subject and is binding only for the taxpayer who requested it. However, when a private letter ruling is published on an FET subject, it provides a barometer to track the direction the IRS may be following.

For example, one dealer requested clarification of what ATD has dubbed the "12/23" question, since it often involves straight trucks equipped with a 12,000-pound front axle and 23,000-pound rear axle, that could be "plated"



with a GVWR or 35,000 pounds when appropriate tires, wheels and other suspension parts are installed.

The National Highway Traffic Safety Administration (NHTSA) is the governmental agency responsible for the GVW formulas and the rating plate that is required on every vehicle. NHTSA requires readily attachable parts, such as tires and wheels, to be included in the rating formula, even if the sum of the axle capacities is greater than the final rating. However, IRS temporary regulations state, "The seller's GVWR must take into account, among other things, the strength of the chassis frame, axle capacity and placement." The regulations go on to say "The (IRS) commissioner may exclude from the GVWR any readily attachable parts to the extent the commissioner finds that the use of such parts in computing the GVWR is unreasonable."

The dealer who requested the private ruling had purchased six trucks from his manufacturer. The trucks were to be sold at retail without modifications and the dealer wanted to know the taxable status. In his letter to the IRS, the dealer said that each vehicle was equipped with a 12,000-pound front axle and a 23,000-pound rear axle and that the chassis manufacturer, using components with the *lowest* weight ratings, determined the GVWR of these trucks to be 32,000 pounds.

The 32,000-pound GVWR was listed by the chassis manufacturer on the certificate of origin and on the identification plate of each chassis. The IRS private letter ruling to the dealer said in part:

"The GVWR of a truck chassis may be specified by the manufacturer, but if the seller further manufactures the chassis, the GVWR must be established by the seller.

"It is common practice for the manufacturer to assign a GVWR to a chassis which is less than the maximum possible total weight capacity of the chassis. This is done to account for capacities of all the components of the chassis, the ultimate use of the chassis and the expected weight distribution on the chassis.

"Accordingly, since A is selling the chassis without further modifications it may establish the GVWR of such chassis by relying on the maximum total weight rating specified by the manufacturer. Therefore, chassis sold by A which have a GVWR of 32,000 pounds are not subject to the tax imposed by section 4051 (a) of the Code."

Finally! The clarification we have been waiting for! Not exactly. The IRS closes every private letter ruling by stating, "This ruling is directed only to the taxpayer who requested it. Section 6110 (j) (3) of the code provides that it may not be used or cited as precedent."

It is unfortunate that after 16 months, the IRS still has not clarified the GVW determination question, as well as other questions, to the satisfaction of all truck dealers. It is our understanding that the IRS has been and is continuing to work on permanent regulations.

ATD continues to suggest that in borderline situations, there is a certain element of risk in making sales on a nontaxable basis. When this situation arises, dealers should maintain a file in connection with a sale that will justify the reasonableness of the GVW rating established for a truck. □

This column is prepared exclusively for **Automotive Executive** *by Jim Westlake, programs manager of NADA's American Truck Dealers Division. All comments or questions pertaining to this column should be mailed to:* **Truck Focus, *Automotive Executive*, 8400 Westpark Drive, McLean, VA 22102-3593.**

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(For more information circle #43)

Showcase: What's New on the Market

According to Kellogg Manufacturing Inc., its new **Volkswagen van conversion** package offers unique constructive features. All exterior body panels are constructed of durable fiberglass, adhered to the chassis in a bolt- and screw-free process. For energy conservation, there is total thermal construction of the inner and outer body and all windows. The interior construction is made of high impact and durable extruded and molded plastic components used only by Kellogg Manufacturing. The unit includes a long list of standard features and many options are available. Manufacturer: Kellogg Manufacturing Inc., Elkhart, IN. ■

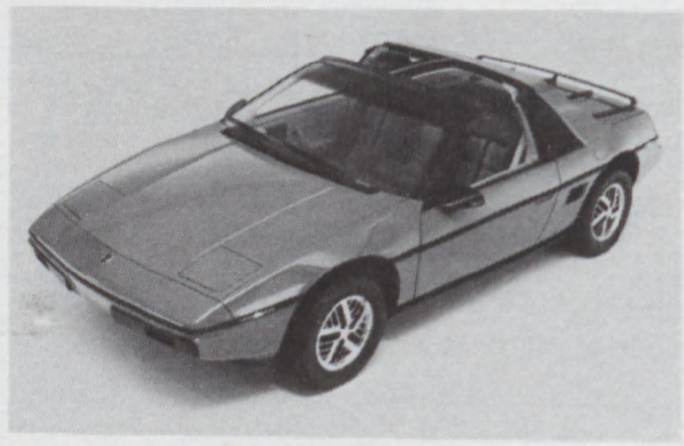
(For more information circle #81)



Ridgeway Chemicals Inc.-'TekTor is introducing two new **buffing compounds**: Arouse I and Arouse II. Arouse I, designed for new-car paint, can be applied with either orbital or hi-speed buffers to eliminate scratches without significantly reducing paint depth. Arouse II is recommended for older vehicles. Manufacturer: Ridgeway Chemicals Inc., Catawba, NC. ■

(For more information circle #82)





Cars & Concepts Inc. is introducing the patented Skylite **T-roof** for the Pontiac Fiero, the only T-roof currently on the market for this vehicle. The roof features glass panel locks integrated into the latch assembly, a new air-deflector molding, a one-piece stamped steel frame, a flush-mounted, glass-to-glass design, tinted glass panels and an exclusive water management system. The removable glass panels can be stored in protective pouches and secured in the trunk with tie-down straps. Manufacturer: Cars & Concepts Inc., Brighton, MI. ■

(For more information circle #83)

E&G Classics Inc. is offering a new **grille** for Cadillac Coupe and Sedan DeVille, as well as Fleetwood models. Manufacturer: E & G Classics Inc., Columbia, MD. ■

(For more information circle #84)



Tra-Tech Corp. is introducing "The Boss" **crew cab dualie conversion**, available on GMC and Chevrolet chassis. According to the company, the same quality design and engineering found in Tra-Tech vans is offered on this hard-working truck designed to handle heavy loads. Standard equipment includes tinted windows, reclining captain's chairs with matching sofa, walnut console and trim, covered storage box, ice chest and thick carpet. A full list of options is also available. Manufacturer: Tra-Tech Corp., Fort Worth, TX. ■

(For more information circle #85)

New from Oakleaf is its **Service History and Follow-up System**. The system allows the service advisor to see on the CRT screen when a customer was last in for service, and what repair orders or warranty claims were written. The system also lets the service advisor print a repair order, complete with all necessary information. According to the company, the service history aspect of the system gives the service manager a full range of reports and information to better control the service department. This system can stand on its own, or be integrated with the Oakleaf Service Merchandising, F&I and Service Dispatching Systems. Manufacturer: Oakleaf, Chatsworth, CA. ■

(For more information circle #86)

The 1985 Chevrolet Celebrity **convertible** is now available to Chevrolet dealers across the country from Hess & Eisenhardt. It features a power top and power quarter windows, and is available with Eurosport and tempered glass/rear window defogger options. The car has been designed and tooled for mass production, using stamped parts that ensure repeatability of the build process and later availability at the dealer level. Manufacturer: Hess & Eisenhardt, Cincinnati, OH. ■

(For more information circle #87)



RVC Inc. is introducing its new Legend Class 'A' **motorhome**. The unit is constructed with full aluminum framing and a patented vacuum-bonded laminated process that the manufacturer claims ensures unit longevity and carefree maintenance. Standard exterior features include streamlined molded fiberglass front, rear and full skirting. Manufacturer: RVC Inc., Goshen, IN. ■

(For more information circle #88)

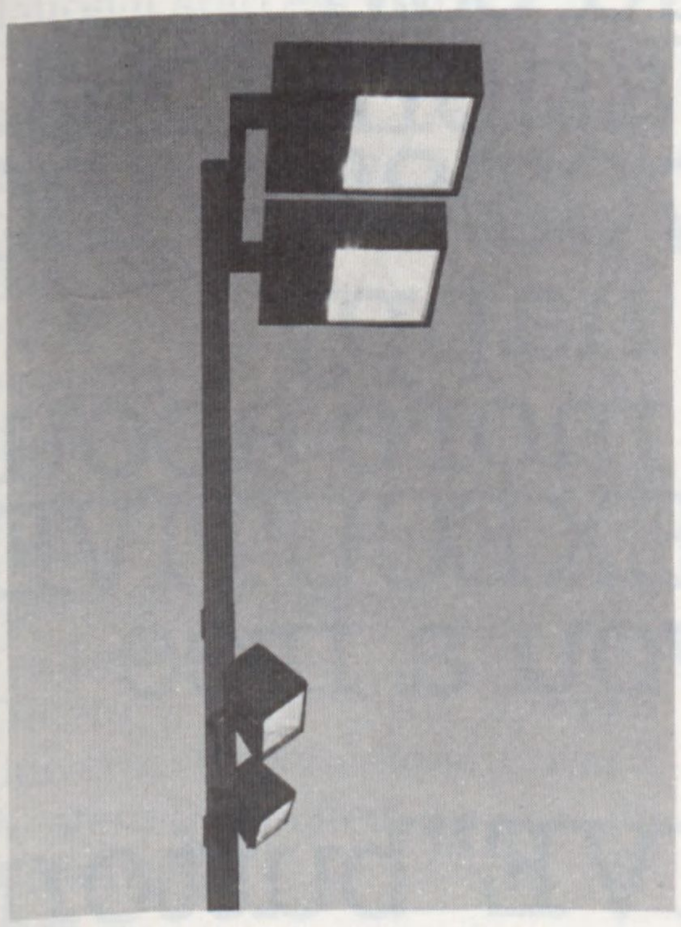
Matrix 3 is introducing a **convertible conversion** for Subaru cars. The convertible features a power top, seating for four, and European-styled Haartz cloth fabric. A color-coordinated leather seat package is also available. The company also produces power top convertibles for the Chevrolet Camaro, Pontiac Firebird, Toyota Celica, Oldsmobile Cutlass, Buick Regal and Chevrolet Monte Carlo. Manufacturer: Matrix 3, Costa Mesa, CA. ■

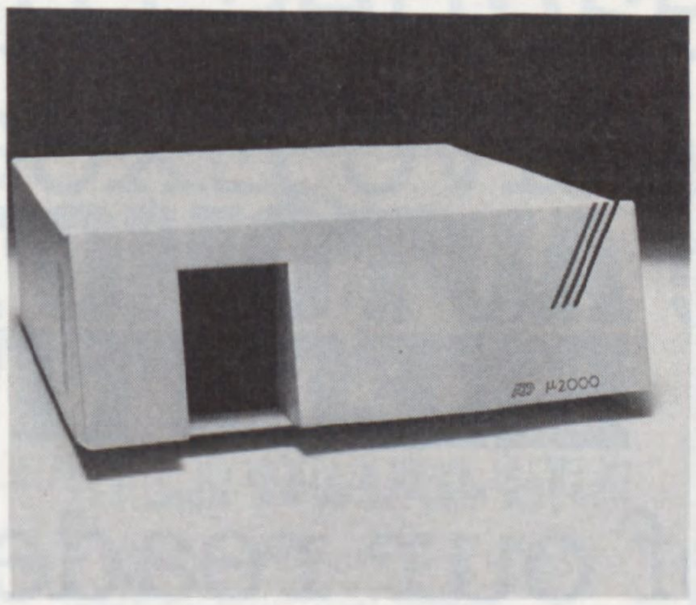
(For more information circle #89)



JW Lighting Inc. is introducing the clean and attractive JCLA **lighting assembly** for highlighting the front line of automobile dealerships. The system includes two 1,000-watt metal halide luminaires and two 400-watt metal halide smooth beam floodlights. According to the company, the system yields high-level uniform lighting and provides the sparkle and color brightness that attracts customers and sells cars. Manufacturer: JW Lighting Inc., Jet-Phillips Division, Houston, TX. ■

(For more information circle #90)





New from ADP is the ADP MICRO 2000 **computing system**, designed for small dealerships or dealerships with modest computing needs that prefer the convenience of an in-house system. According to ADP, the system is moderately priced, yet can grow as a dealership grows. The system can use the complete family of ADP Onsite Plus software applications to bring computing power to every department: accounting, parts, sales and service. The system can be tailored to fit each individual dealership's needs. Manufacturer: ADP, Chicago, IL. ■

(For more information circle #91)

Snap-on Tools Corp. is introducing a new line of **wrenches** designed to help with tough clearance problems on metric fasteners. The LTAM series of low-torque slimline open end wrenches complement the existing LTA series, offering mechanics a greater variety of specialized wrenches for unique applications. The new wrenches feature an exceptionally thin handle and wrench head profile that allows access into tight working areas. Manufacturer: Snap-on Tools Corp., Kenosha, WI. ■

(For more information circle #92)

Blackhawk's newest collision repair equipment accessory is the Model 97605 **down pulley**. According to the manufacturer, the down pulley helps collision repair specialists achieve more precise directional control on certain corrective pulls, especially in the area from straight out to straight down. The unit is back by a one-year warranty. Manufacturer: Blackhawk, Milwaukee, WI. ■

(For more information circle #93)

Ad Lease Inc. has developed **ads** that can be tailored to different leasing organizations nationwide. The company produces 18 TV commercials and 36 corresponding radio commercials a year designed to convince consumers of the multiple benefits of automobile leasing. Each ad is designed to have the individual company's own logo, address and phone for both audio and video along with any pertinent information the client company wants included. According to the company, these commercials cost leasing companies just a fraction of what it would cost them to produce themselves. Each client receives the commercials ready to run. Manufacturer: Ad Lease Inc., Saugus, MA. ■

(For more information circle #94)

New from Wynn Oil Co. is a **three-chemical kit** designed for automotive cooling system maintenance. The Power Flush Kit contains one can each of a radiator flushing compound, a radiator treatment and a radiator stop-leak. All three products are compatible with all cooling system components, including aluminum. The chemicals are designed to be used with Wynn's Power Flush machine. Manufacturer: Wynn Oil Co., Fullerton, CA. □

(For more information circle #95)



Information and photographs have been provided via manufacturers' press releases. A product's appearance in this column in no way implies endorsement by either NADA, the NADA Services Corp. or **Automotive Executive**.

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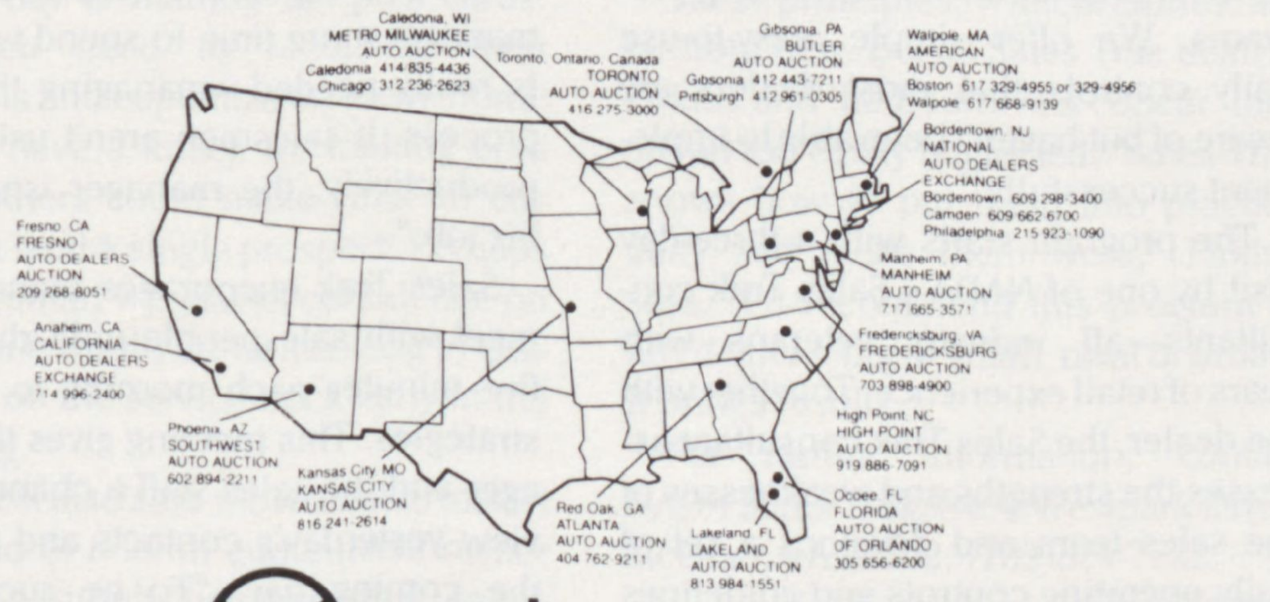
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(For more information circle #57)

Editor's Note: As of the September issue, *Automotive Executive* will no longer run "Auction Classified."

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(For more information circle #53)

Sales Trak

Ninety percent of all car sales prospects are never followed up after visiting a dealership. Eighty-eight percent don't receive a thorough product presentation or demonstration ride. Thirty-three percent of all floor traffic leaves in less than 15 minutes. Only 18 percent of the time do salespeople properly establish rapport, qualify and control the prospect. And only 10 percent of owners are ever contacted later about purchasing another car.

These figures, based on industry studies, point out a disturbing trend for the average dealer: a significant amount of business slips out the front door every day due to poor salesmanship. On the other hand, says Steve Wancik, director of NADA's Sales Trak program, the numbers also represent a tremendous opportunity.

"Each person who visits your dealership is a potential buyer," he says. "He may not buy until next week or six months from now—but he'll buy. To capture that business, you have to create a relationship between buyer and dealership that doesn't end when the customer walks off the lot."

NADA's Sales Trak is a tool to accomplish that goal. A time management system with proven results, Sales Trak shows managers how to better control floor activity and boost sales. Salespeople learn to maximize their sales opportunities.

"There's nothing magical about our approach," says Wancik. "We don't offer any new knock-'em-dead sales pitches, promotions or advertising programs. We offer simple, easy-to-use daily controls that most dealers are aware of but haven't been able to implement successfully."

The program starts with a three-day visit by one of NADA's Sales Trak consultants—all industry veterans with years of retail experience. Together with the dealer, the Sales Trak consultant assesses the strengths and weaknesses of the sales team and develops a set of daily operating controls and guidelines



to maximize sales. One-on-one sessions with the sales manager and each of the salespeople are also held. Throughout, the goal is to find ways to use time more effectively.

"Most sales managers don't spend nearly enough time managing their staffs," says Wancik. "Someone has to be in charge of the dealership. If the manager spends all his time in the office, the salesmen run the show. And if the salesmen spend all their time standing idle on the floor, the customers are in charge."

Research shows that in the average dealership the sales manager spends 82 percent of his or her time on administrative routine and only 18 percent with salespeople. The average manager performs some 170 tasks in an average day, but rarely spends more than two to three minutes per task. According to Wancik, this is time much better spent on the sales floor.

"Wherever possible, sales managers should look at their workload and delegate those tasks that don't require their attention to others—the F&I manager, the title clerk, the service cashier, anyone who is capable. This gives the sales manager more time to spend where he is really needed—managing the sales process. If salesmen aren't using time productively, the manager isn't doing his job."

Sales Trak encourages managers to meet with salespeople individually for five minutes each morning to discuss strategies. This meeting gives the manager and the sales staff a chance to review yesterday's contacts and plan for the coming day. "To be successful, salesmen must come to work with a clear plan of action," Wancik says.

To help managers better direct their sales force, Sales Trak provides three floor traffic controls: an "ups" or contact card, a daily floor activity report and a sales force summary report. With them, a manager can consistently track activity out on the floor and identify problems before they happen—especially lost sales.

The "ups" card requires salespeople to record each person they talk to. The daily floor activity report, completed by the manager as customers come in, monitors floor action and helps signal developing TOs. The third report, the sales force summary, totals performance for the month and points out weaknesses in prospecting, closing ratios and grosses that need to be corrected.

According to Wancik, few dealerships keep records of those seen and talked to each day. "If you don't have any way to follow up, you're relying on first-time sales and be-backs for business," he says. "You're losing everything else."

Sales Trak's emphasis on follow-up made a big difference in Bob Firkins' business. Firkins Motors Inc., an AMC/ Jeep/ VW dealership in Bradenton, FL, used to sell about 25 new and used cars a month. After a year on Sales Trak, that figure jumped to 50. Before, Firkins generated only $1,000 net F&I income per month. This June, F&I topped $10,000.

"We had a folksy, small-town approach," Firkins says. "Sales Trak made us professional. Customers today don't want someone to ask them 'how ya doin'?' They want someone to show them why they should buy a particular car."

Firkins says he always thought his dealership was successful, but that Sales Trak expanded sales "astronomically." "The Jeep dealer in the next town, who's twice as large, sold 30 Jeeps during the first six months of '84. We sold 100."

On Sales Trak's advice, Firkins

created a separate F&I department. Business boomed. He also changed service managers, and traffic improved 50 percent. Firkins says Sales Trak's reports pinpoint weaknesses that otherwise might be missed.

"One of our salesman, two months in a row, sold service contracts to only 10 percent of his customers. He just can't seem to move them. Now that we know that, we'll turn his customers over to the F&I man.

"The program's secret, if there is one, is that it teaches you to work each customer—to sell, not just take orders."

Dick Bournival of Bournival World of Transportation, a Chrysler-Plymouth/Mazda dealer in Lowell, MA, has a similar story to tell. In June, Bournival sold 45 percent of the new-car customers who came in the door. Before Sales Trak, he was in the high 20s (the industry average is only 18 percent). The dealership has been on the program 10 months, and sales have been averaging about 180 new and used—35 percent ahead of last year.

"I can't say all the growth comes from Sales Trak," says Bournival, "but it has had a real impact. We followed up our prospects in the past, but we never were able to make it work. Sales Trak provides structure. It forces us to implement these ideas daily, something I can't stress enough. Everyone knows you ought to follow up, but it's easy to forget."

Bournival's son, Dick Jr., is the person who turned him on to Sales Trak. Dick Jr., an AMC-Jeep-Renault/Olds/GMC Trucks dealer in Portsmouth, NH, joined Sales Trak about one year ago. In 1984, Bournival has averaged 200 new and used per month, a 70-percent increase over last year.

"We've always had steady growth," Bournival says, "but Sales Trak gave us one more leg up. We had all the other parts in place—the presentation, the demo, the prospecting—but we didn't have good follow-up. We were relying on our salesmen's word that they were following up, but we had no way to keep track. Sales Trak gets them in the habit of doing it all the time.

"Our salespeople resisted the program at first," he adds. "We had to explain that it would benefit both the dealership and them. After a few months, they could see their commissions going up. Now they're convinced."

Sales Trak's Wancik says salespeople know the importance of follow-up and prospecting, but need guidance from their managers to develop good work habits. "Most salespeople would tell you that they know how to build a prospect network, use service lanes and follow up contacts, but few pursue any of these leads on a regular basis.

"The program's secret, if there is one, is that it teaches you to work each customer—to sell, not just take orders."

"Take prospecting. Most salemen are turned off by prospecting for one reason: they get poor results. Experience shows, however, that regular prospecting generates a lot of business. A prospect attracted to a dealership by a salesman's prospecting efforts is more likely to buy than a walk-in customer."

It's up to sales managers—and dealers—to work with their sales staff to develop effective prospecting methods, Wancik says. "There's more to successful prospecting than making 25 phone calls a day or mailing 100 post cards. Salesmen need to recognize their strengths and capitalize on them. Some people have a knack for making cold calls; others could make calls all day and not land a single prospect. Perhaps the salesman who lacks confidence on the phone would do well talking to customers on the service dock early in the morning."

Wancik also says most dealers miss a boatload of referral and current owner business simply because their salespeople don't follow up. Studies show that 22 percent of all current automobile purchasers will buy another vehicle within 12 months or have a family member who will do so. "A dealership has within its records hundreds of potential customers," Wancik says. "Salesmen who follow up with their customers on a regular basis get a high percentage of replacement sales as well as referral business. One thing is certain: without follow-up, there is no customer loyalty to the salesman or the dealership."

Salespeople should make more of an effort to sell the qualities of the dealership, Wancik says. If the dealership has a $200,000 imported parts department, five ASE-certified mechanics, or a new diagnostic center, let the prospective buyer know about it, he says. "They may be the only things that set your dealership apart from all the rest in the customers' mind."

Sales Trak recommends slowing down the selling process to assure that all the steps leading to a successful close are touched upon. Salespeople are encouraged to sell the car's benefits fully before trying to close the customer on price. "All too often, salesmen forget the customer probably isn't familiar with the car and its features. They need to tell the customer that the car comes with radial tires or fuel injection and what that means."

Dealers and their sales managers should also look at how salespeople conduct test drives. Wancik says it's "astonishing" how many don't go on the demonstration ride with customers.

These principles, Wancik admits, are far from new. But as Sales Trak dealers Firkins and the Bournivals concur, they are all too easily neglected. "Sales Trak shows how to put them into practice daily and make them work," Firkins says. "I'd recommend this program to any dealer—big or small, rural or urban. It brings results."

For further information, contact NADA Sales Trak, 8400 Westpark Drive, McLean, VA 22102, (703)821-7222. □

—Gary James

The Service Department

Purchase Order System

When you run a big business it becomes necessary to delegate many areas of responsibility. Purchasing, including parts, supplies and services, is one of the most significant areas to the profit picture of a dealership.

Depending on how big your operation is, you the dealer may set up all purchasing sources and prices, and then delegate someone to purchase within your parameters. Larger dealers may rely completely on employees for these functions. Regardless of what system you use, control must be established and monitored.

The most reliable method I have found is the written purchase order. This provides a three-part document that is distributed and then, after it has gone through its flow cycle, can and should be reconciled before payment is made. This system will add some security to your purchases, ensure that no bills are paid unless approved, prevent double billing and most importantly, enable you to audit purchasing.

To set up a purchase order system, you must first notify all your vendors that you will not pay any of their invoices unless they are accompanied by your assigned purchase order number. Obtain order books that are bound, prenumbered and printed with your company name, and have at least three copies for distribution. Assign specific employees signing authorization.

The life cycle of the purchase order is not complex, but it can be lengthy. The scenario is this: Your service writer calls a local towing vendor to bring in a car. The writer generates a repair order and when the vehicle arrives, the towing company's invoice to you is generated completely. The completed invoice should have your company name, vehicle description, distance of tow, your repair order number, your purchase order number, amount charged and signature of the person accepting the car into the repair shop.

You will need at least two copies of the vendor's invoice, one to be attached to the repair order and one to a copy of the purchase order. The purchase order should include the name of the towing company, service performed, vehicle description, towing company invoice number, repair order number, the dollar amount as indicated on the towing company invoice and the signature of the issuing person. The repair order should have listed in the sublet column the cost of the service performed, purchase order number, invoice number and the name of the sublet vendor. The amount of markup on sublet fluctuates depending on service performed, customer demands and market conditions in your area. The minimum amount should be 10 percent.

"Purchasing, including parts, supplies and services, is one of the most significant areas to the profit picture of a dealership."

When the purchase order is completely filled out, one copy is given to the vendor, one copy is attached to a copy of the vendor's invoice and both to the repair order hard copy. The last copy stays in the binder for future reconciliation. The repair order is closed out in the usual manner. When the purchase order book is complete, it is exchanged for a new book.

The sublet vendor will send an invoice at the end of the billing period. The invoice should be attached to copies of all the individual bills and purchase orders that are listed on the invoice. The invoice should be reconciled against the purchase order book that was retained in the office. An occasional spot check of repair orders should be conducted to ensure that the vendors' invoices are being charged out on the repair order and that the customer is ultimately paying the bill. Before payment is made to the vendor, the manager of the department that generated the invoices should examine them one final time to make sure all is in order.

By properly cross-referencing all paperwork involved in any transaction, it is much easier to reconcile under normal circumstances and also at a later date, should a question arise.

A direct adjunct to the purchase order system is the vendors' pricing. All vendors must be aware that the manufacturer only reimburses as per the flat rate manual or policy and procedure manual for any given operation. There will be cases when the prices will exceed the book time and, in those instances, the service manager will need to secure additional authorization from the zone personnel. To help keep vendors' prices in line, make copies of different sections of the factory flat rate manual and distribute them accordingly.

Since most manufacturers pay for sublet services without a markup, it is up to you to establish a discount system with your vendors. Otherwise, you will not be making any profit on warranty-related sublet repairs. A 10-percent monthly discount is a good beginning.

By closely monitoring your sublet account, you may determine that it is more economical to purchase a piece of equipment rather than continue to pay out. The significance of sublet repair profits to the dealership can be great. Pay plans for service personnel usually are not tied into this area and, therefore, the profits are untouched and real. When you take into account all the various types of sublet repairs (towing, body repairs, glass, vinyl repairs, accessory installations, machine shop services, pre-delivery, after-sale installations, etc.) and the 10 percent minimum markup, the monthly income can be significant. Proper use of sublets will enable you to reorganize your accounting so you will realize greater bottom-line results. □

This column is prepared for **Automotive Executive** *by Ron Joffe, Service Director, Straub Motors Inc. All questions or comments pertaining to this column should be mailed to:* **The Service Department, *Automotive Executive*, 8400 Westpark Drive, McLean, VA 22102-3593.**



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We Care About Your Confidence!

Members of the National Auto Auction Association have always been strong supporters of the Federal Odometer Law and we encourage our customers to abide by this law. Evidence of our position is shown in the following resolution adopted by our Board of Directors, February 18, 1983:

RESOLVED, that whereas the National Auto Auction Association recognizes that the buyers of used vehicles, both private individual and automobile dealers, rely heavily on the odometer readings in determining the value of used vehicles, and

WHEREAS, the National Auto Auction Association acknowledges that odometer tampering throughout the nation, in both the private and public sectors creates severe problems for all segments of the automobile industry, and most especially for auto auctions, whose primary role is not of owner, but normally as a conduit for the sale, and

WHEREAS, the National Auto Auction Association was instrumental and is strongly supportive of the enactment of the legislation to prevent odometer tampering, and

WHEREAS, the National Auto Auction Association Code of Ethics states, "We will comply with the National, State and local laws and rules that regulate the conduct of the automobile auction business", and

WHEREAS, it is the belief of the National Auto Auction Association that the welfare of consumers, and dealers alike would be better served if the practice of odometer tampering by both the public and private sectors was totally eliminated, and be it

RESOLVED, that the National Auto Auction Association continues to show strong support for enforcement of the federal odometer law, and be it

FURTHER RESOLVED, that the National Auto Auction Association calls upon its members to support the law, and to work with local, state and federal authorities in their investigation, and be it

FURTHER RESOLVED, that the National Auto Auction Association believes that the final solution to the odometer problem lies not in the investigation or enforcement in only one aspect of the automotive industry, but in complete nation-wide enforcement which does not put any segment of an industry, at a competitive disadvantage, and be it

FURTHER RESOLVED, that the National Auto Auction Association calls upon all states to promptly adopt the universal title concept and to provide for the insertion of mileage on the title, and to take immediate steps to implement such a program, and be it

FURTHER RESOLVED, that the National Auto Auction Association strongly urges the manufacturers of automobiles, both domestic and import, to develop a tamper-proof odometer, and be it

FURTHER RESOLVED, that the National Auto Auction Association calls upon the congress of the United States to appropriate adequate funding, so that enforcement of the federal odometer law can be carried out on a uniform, and comprehensive basis through the nation, and be it

FURTHER RESOLVED, that all authorities involved with the investigation, enforcement, and adjudication of the perpetrators of this serious crime be directed to emphasize prompt investigations, strong enforcement, and to hand down severe penalties, including, but not limited to the suspension for one year of the business license of any automobile dealer who is convicted of violation of the odometer law, and be it

FURTHER RESOLVED, that private individuals who are found guilty of this serious crime also be handed down severe penalties including both fines and/or imprisonment for violation of the odometer regulation so as to protect the general public and consumer from such fraudulent acts.

National Auto Auction Association

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(For more information circle #55)

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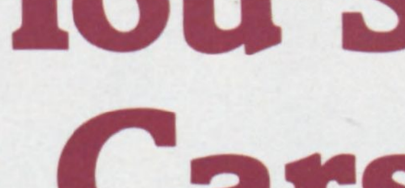


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